

**8868
FINANCIAL REPORTING AS AT 31 AUGUST 2013**

The report served before the Financial Services Portfolio Committee on 8 October 2013. The report was noted.

PURPOSE

To submit the financial position of the uMhlathuze Municipality as at 31 August 2013, 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

All annexures are circulated under separate cover.

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. National Treasury has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out. Furthermore, National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from July 2010.

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, made up of actual revenue collected by source and Component 2, made up of actual operational and capital expenditure by vote for the month August 2013 is included under **Annexures Z and AA (DMS 901325)**.

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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PART 1 - IN-YEAR REPORT

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 - August 2013

The monthly budget statement summary (Table C1) for the month of August 2013 (year to date actual), shows a surplus of R55,3 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 beginning of the financial year and capital expenditure is only R8,5 million (2,53%). At the end of August 2013 an amount of R15,8 million for orders 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 31 August 2013 is R24,3 million (7,20%).

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 31 August 2013:

	ORIGINAL BUDGET 2013/2014	PRO-RATA ORIGINAL BUDGET (YTD)	ACTUAL (YTD) FIGURES TO 31/08/2013	TARGET ACHIEVED
	R '000	R '000	R '000	%
Revenue	1 997 756	332 959	428 412	129
Expenditure	1 989 414	331 569	373 086	113
Surplus	8 342	1 390	55 326	

As can be seen from the table above, Actual Surplus for the month ended 31 August 2013 is higher than the Budgeted Surplus. Both Actual revenue to Budgeted revenue and Actual expenditure to Budgeted expenditure has exceeded the budget.

During the budgeting stage, Council was uncertain as to the frequency of Tata Steel's operations. Therefore Council prudently did not budget for a 12 month period for this revenue. However, Tata Steel has continued operations without any shutdowns thus far. This has resulted in increased revenue for electricity as compared to the pro-rata budget.

The same budgeting approach was used for electricity purchase figures, which has now resulted in increased expenditure.

Furthermore, electricity purchases are higher in July and August due to the increased tariff charged by Eskom in the winter months. The expenditure will even out during the remainder of the financial year. It is therefore expected that expenditure spending patterns will regulate as the year progresses.

3.2 Cash Flow Situation

Details of Bank Balances

	CASH ON HAND AT 31 AUGUST 2013	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL) / SURPLUS AT 31 AUGUST 2013
	R' 000	R' 000	R' 000	R' 000
Conditional Grants and unspent loans	111 836	111 836	111 836	0
Working Capital	222 745	162 774	325 548	(102 803)
Total	334 581	274 610	437 384	(102 803)

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 1,37:1 (222 745/162 774).

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.

The table below reflects the grants gazetted and received as at 31 August 2013 from National and Provincial Treasury.

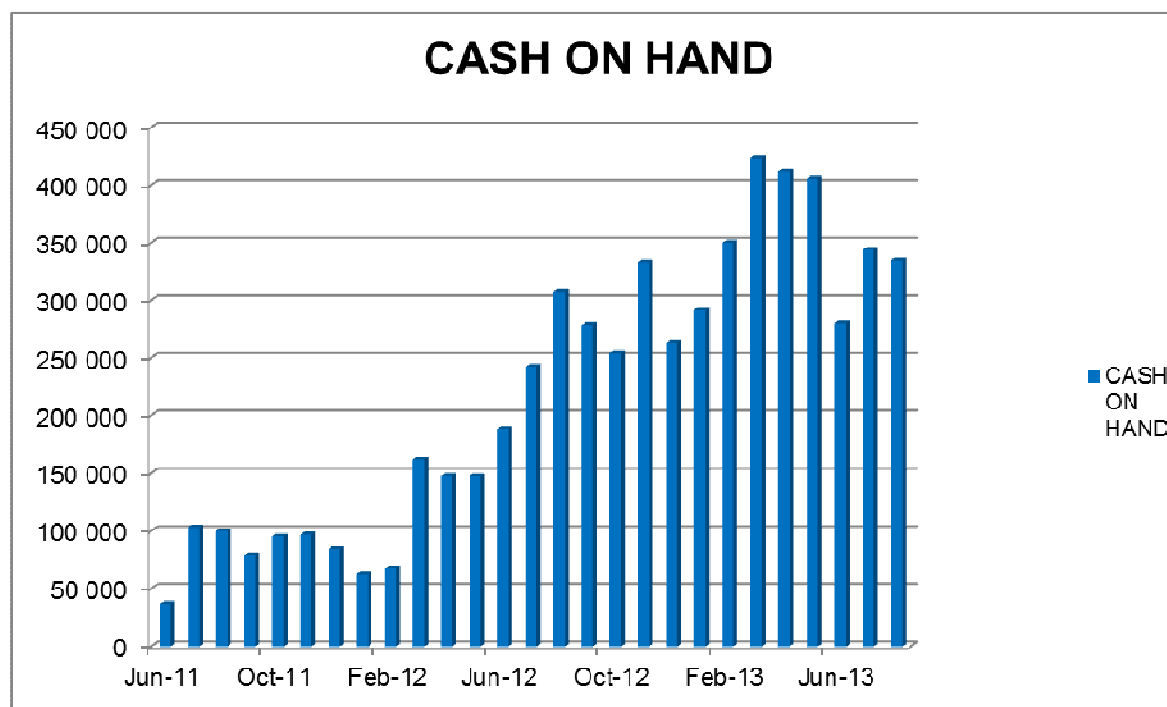
DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2013	AMOUNT GAZETTED FOR AUGUST 2013	TOTAL TO BE RECEIVED AS AT 31/08/2013	AMOUNT RECEIVED AS AT 31/08/2013	DIFFERENCE	COMMENTS
NATIONAL TREASURY						
Equitable Share	79 327 000	0	79 327 000	78 953 000	374 000	An amount of R374 000 has been withheld from the equitable share by National Treasury for unspent Financial Management grant 2011/2012. However, this grant was requested to be rolled-over to the 2012/2013 financial year. Correspondence to this effect has been sent through to COGTA for further assistance in re-claiming the funds.
Water Services Operating subsidy	2 163 000	0	2 163 000	0	2 163 000	National Treasury erroneously paid an amount of R937 000 to Council (which is gazetted for uThungulu District) and paid an amount of R2 163 000 to uThungulu District Municipality (which is gazetted for Council).

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2013	AMOUNT GAZETTED FOR AUGUST 2013	TOTAL TO BE RECEIVED AS AT 31/08/2013	AMOUNT RECEIVED AS AT 31/08/2013	DIFFERENCE	COMMENTS
NATIONAL TREASURY						
Financial Management Grant	1 550 000	0	1 550 000	1 550 000	0	
Municipal Systems Improvement grant	0	890 000	890 000	890 000	0	
Infrastructure Skills Development Grant	2 000 000	0	2 000 000	2 000 000	0	
Extended Public Works programme	0	400 000	400 000	400 000	0	
Municipal Infrastructure Grant	22 620 000	0	22 620 000	22 620 000	0	
Total National Treasury	107 660 000	1 290 000	108 950 000	106 413 000	2 537 000	
PROVINCIAL TREASURY						
Housing Operating account	0	0	0	2 900 400	(2 900 400)	This amount was not included in the Provincial Budget statements 2013/2014. However, Council has received these funds.
Total Provincial Treasury	0	0	0	2 900 400	(2 900 400)	
Total Grants	107 660 000	1 290 000	108 950 000	109 313 400	(363 400)	

Bank Balance Trend since June 2011

Table:

	Jun-11	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	July-13	Aug-13
	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	147 553	188 716	242 599	307 017	278 805	253 890	333 321	263 366	291 714	350 132	423 311	411 345	405 663	280 396	343 845	334 581



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 and still need to be monitored on a continuous basis.

3.3 Capital Budget Summary

	ORIGINAL BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS AT 31 AUGUST 2013	ORDERS PLACED - PAYMENTS PENDING	PERCENTAGE SPENT
	R'000	R'000	R'000	%
Executive and Council	375	0	198	0
Budget and Treasury Office	4 751	20	0	0,41
Corporate Services	37 027	273	2 176	0,74
Community and Social services	16 572	701	646	4,23
Sport and Recreation	24 693	100	141	0,40
Public Safety	13 697	174	114	1,27
Housing	0	356	0	0
Health	6 193	25	120	0,40
Planning and Development	156	8	15	5,46
Road Transport	37 780	140	748	0,37
Electricity	58 818	1 036	6 395	1,76
Water	55 372	1 481	2 517	2,67
Waste Water Management (Sanitation)	72 259	4 247	2 740	5,88
Waste Management (Solid Waste)	11 021	0	0	0
Total	338 714	8 560	15 812	2,53

The above table represents Capital Expenditure incurred as at 31 August 2013 (2,53%). However, with the inclusion of pending payments of R15,8 million the expenditure stands at 7,20%.

Unspent grants applied to National Treasury to be rolled over

DESCRIPTION OF GRANT	UNSPENT GRANT 30/06/2013	EXPENDITURE YEAR TO DATE	AVAILABLE BALANCE
	R	R	R
MIG	64 763 706	0	64 763 706
Energy Demand Management	6 683 312	815 412	5 867 900
Total	71 447 018	815 412	70 631 606

This table will be reported on monthly. The amounts applied for as roll-overs will only be finalised once National Treasury has indicated the approved roll-over amounts. These figures will be finalised in the Adjustment Budget 2013/2014.

The total adopted capital budget funding structure is as follows:

TYPE OF FUNDING	ORIGINAL BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS 31 AUGUST 2013	ORDERS PLACED - PAYMENTS PENDING	% SPENT / BUDGET
	R '000	R '000	R'000	
External loans	136 119	1 090	7 017	0,80
Capital replacement Reserve	87 820	1 350	4 722	1,54
MIG	83 697	5 054	4 058	6,04
Other Government Grants	10 000	368	0	3,68
Public Contributions	16 237	697	15	4,29
Reserves	4 841	0	0	0
Total	338 714	8 560	15 812	2,53

3.4 Expenditure per Category

EXPENDITURE PER CATEGORY	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2013 (YTD)	% OF PRO-RATA BUDGET
	R'000	R'000	R'000	%
Employee Related Costs	508 764	84 794	77 788	92
Remuneration of Councillors	21 529	3 588	2 866	80
Debt Impairment	2 075	346	0	0
Depreciation and Offsetting of depreciation	145 218	24 203	24 203	100
Finance Charges	75 538	12 590	12 590	100
Bulk Purchases - Water	97 958	16 326	13 865	85
Bulk Purchases - Electricity	830 923	138 487	203 702	147
Other Materials	24 033	4 006	3 487	87
Contracted Services	129 661	21 610	16 748	78
Transfers and Grants	9 904	1 651	902	55
Other Expenditure	143 811	23 969	16 935	71
TOTAL	1 989 414	331 569	373 086	113

The above table represents operating expenditure per category incurred as at 31 August 2013.

Bulk Purchases – Electricity: The same comments provided in the table below with regards to Tata Steel also apply to the actual Electricity Purchases. Furthermore, electricity purchases are higher in July and August due to the increase tariff charged by Eskom in the winter months. The expenditure will even out during the remainder of the financial year.

3.5 Revenue per Category

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

REVENUE PER CATEGORY	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2013 (YTD)	% OF PRO-RATA BUDGET
	R'000	R'000	R'000	%
Rates	275 000	45 833	47 996	105
Service Charges - Electricity revenue	1 141 500	190 250	290 430	153
Service Charges - Water revenue	166 853	27 809	27 113	97
Service Charges - Sanitation revenue	74 241	12 374	11 836	96
Service Charges - Refuse revenue	57 050	9 508	9 724	102
Service Charges - Other revenue	12 472	2 079	2 256	109
Rental of Facilities and Equipment	10 878	1 813	2 477	137
Interest earned - External Investments	4 152	692	485	70
Interest earned - Outstanding Debtors	1 597	266	231	87
Fines	10 102	1 684	1 609	96
Licenses and Permits	2 747	458	317	69
Agency services	5 800	967	1 033	107
Operating Grants and Subsidies	219 635	36 606	32 131	88
Other Revenue	15 729	2 622	775	30
Gains on disposal of PPE	0	0	0	0
TOTAL	1 997 756	332 959	428 412	129

The above table represents operating revenue per category as at 31 August 2013.

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

Service Charges - Electricity revenue during the budgeting stage, Council was uncertain as to the frequency of Tata Steel's operations. Therefore, Council prudently did not budget for a 12 month period for this revenue. However, Tata Steel has continued operations without any shutdowns thus far. This has resulted in increased revenue for electricity as compared to the pro-rata budget.

3.6 Surplus and Deficit by GFS Function

FUNCTION	ORIGINAL BUDGET 2013/2014			ACTUAL AS AT 31 AUGUST 2013		
	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	105	1 233	(1 128)	429	(1 733)	2 162
Budget and Treasury Office	289 313	4 501	284 812	49 835	(1 364)	51 199
Corporate Services	9 909	69 053	(59 143)	1 102	8 506	(7 404)
Community and Social services	8 858	47 693	(38 835)	481	7 016	(6 535)
Sport and Recreation	2 844	103 988	(101 143)	938	15 266	(14 328)
Public Safety	11 600	101 830	(90 230)	1 745	15 148	(13 402)
Housing	1 020	6 514	(5 493)	128	1 487	(1 359)
Health	4 868	28 155	(23 287)	1	4 419	(4 418)
Planning and Development	2 327	36 649	(34 322)	249	5 139	(4 890)
Road Transport	9 974	139 745	(129 772)	1 676	20 133	(18 457)
Environmental Protection	0	11 134	(11 134)	0	1 605	(1 605)
Other	450	342	108	8	16	(8)
Total Rates and General	341 268	550 836	(209 567)	56 591	75 636	(19 045)

FUNCTION	ORIGINAL BUDGET 2013/2014			ACTUAL AS AT 31 AUGUST 2013		
	Revenue	Expenditure	Surplus/ (Deficit)	Revenue	Expenditure	Surplus/ (Deficit)
	R'000	R'000	R'000	R'000	R'000	R'000
Trading Services						
Electricity	1 148 613	934 741	213 872	291 922	219 409	72 513
Water	314 408	303 542	10 865	48 656	47 178	1 478
Waste Water Management (Sanitation)	106 949	116 205	(9 256)	16 612	17 055	(444)
Waste Management (Solid Waste)	86 518	84 091	2 428	14 631	13 807	825
Total Trading Services	1 656 488	1 438 578	217 910	371 821	297 449	74 372
Grand Total	1 997 756	1 989 414	8 342	428 412	373 085	55 327

The table above sets out the surplus and deficit for each GFS function. It is important to note that although the trading services namely Electricity, Water, Waste Management and Waste Water Management are supposed to be profitable, only Electricity service is making significant 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 provide information to departments in order for them to manage their respective functions 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	39 458 044	1 287 653	232 966	3 233 005	44 211 668
Business	147 932 271	11 298 236	3 992 657	24 685 015	187 908 179
Households	26 356 002	6 940 243	1 330 835	29 635 928	64 263 008
Other	7 470 581	3 333 031	876 062	8 479 385	20 159 059
Total	221 216 898	22 859 163	6 432 520	66 033 333	316 541 914
%	70%	7%	2%	21%	

➤ Indicator Results

INDICATOR	PERFORMANCE TARGET	RESULT
Collection Rate in days	Below 60 days	49,96
Debtor's Turnover Rate	Below 20 %	13.69%
Average Payment %	Above 98%	97,65%

MONTH	TOTAL CONSUMER DEBTORS
	R '000
August 2013	316,5
July 2013	299,0
June 2013	241,8
May 2013	216,5
April 2013	220,9
March 2013	230,3
February 2013	253,1
January 2013	256,4
December 2012	275,1
November 2012	250,6
October 2012	264,8
September 2012	259,2
August 2012	245,1
July 2012	246,8
June 2012	219,3

The year on year comparison of the collection rate in days is relatively constant. The category of debtors greater than 90 days is receiving specific attention from the Credit Control Unit.

The initial focus has been to the business sector and government debt. However, the materiality of the amount owed by households cannot be ignored.

The main residential debt is in the traditional areas as the collection levels are far below those of the urban areas.

There are still technical issues which are being addressed by a combined task team comprising of officials from Finance Department and Infrastructure and Technical Services: Water and Sanitation Section which will seek to resolve water leaks as well as pressure issues which make credit control action difficult in these areas.

3.9 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 R101 123,07 as per **Annexure AB (DMS 901325)**.

Councillor's debt amounts to R665,37 as per **Annexure AC (DMS 901325)**.

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, whereafter Departments will provide specific comment on their own sections.

4.1 Employee related costs

Total employee related expenditure is within budgetary limits. Several of the funded vacant posts have been advertised recently and are expected to be filled within the next two to three months. This will result in increased expenditure.

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	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET UNDER SPENT
	R'000	R'000	R'000	R'000	%
Overtime	25 834	4 306	4 375	(69)	102

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	
	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES
Permanent	22 582,75	700	24 412,50	645
Temporary	80.00	10	58.50	1

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 August 2013. The relevant departments have supplied the comments for the over-expenditures incurred on overtime.

DEPARTMENT	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER/ (OVER) EXPENDITURE	% OF PRO-RATA BUDGET (OVERSPENT) / UNDERSPENT
	R	R	R	R	%
City Development	0	0	0	0	0
Community Services	14 999 000	2 499 833	2 167 379	332 454	87
Corporate Services	195 900	32 650	50 825	(18 175)	156
Financial Services	103 800	17 300	25 169	(7 869)	145
Infrastructure and Technical Services	10 535 600	1 755 933	2 131 298	(375 364)	121
Office of the Municipal Manager	0	0	0	0	0
TOTAL	25 834 300	4 305 717	4 374 671	(68 955)	102

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).

The Community Services Department should be commended for the R332 000 savings that has been realised to date.

5. EXCEPTION REPORTING - DEPARTMENTAL

5.1 Community Services, health and Public Safety - Overtime

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER/ (OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 906 800	317 800	257 698	60 102
006	Traffic	2 918 500	486 417	458 118	28 298
029	Commuter Facilities	111 400	18 567	20 501	(1 934)
032	Street Cleaning	3 777 500	629 583	715 285	(85 701)
033	Refuse Removal	4 550 900	758 483	486 49	272 035
037	Public Conveniences	85 600	14 267	24 082	(9 816)
Sub - total		13 350 700	2 225 117	1 962 133	262 984

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

Waste Management overtime work is allocated to employees based on needs rather than the allocated votes. Employees from vote 032, 029 and 037 were allocated to perform functions that should have been performed by employees from vote 033.

Therefore votes 029, 032 and 037 are over-spent and vote 033 is underspent. Therefore in totality the votes are within budget and not over-spent. The overtime expenditure will be reflected correctly in September.

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
RECREATION AND ENVIRONMENTAL SERVICES					
002	Cemetery	651 900	108 650	128 045	(19 395)
024	Sport Development and Sports Field	191 000	31 833	13 040	18 793
025	Stadium	0	0	0	0
027	Beach Facilities	334 800	55 800	64 161	(8 361)
042	Swimming Pools	427 800	71 300	0	71 300
073	Parks Distribution Account	42 800	7 133	0	7 133
Sub - total		1 648 300	274 717	205 246	69 470
TOTAL		14 999 000	2 499 833	2 167 379	332 454

□ **Vote 002 - Cemetery**

Burials fluctuate from month to month. However, the majority of the burials take place during weekends.

□ **Vote 027 - Beach Facilities**

The warm weather experienced during this period has resulted in increased number of visitors to the beaches. Due to the facilities being available 7 days a week, including public holidays, overtime expenditure has increased. The Blue Flag Status awarded to the City also requires that staff be present at all times to ensure that the facility standards are maintained thus contributing to the over-expenditure.

5.2 Corporate Services - Overtime

CORPORATE SERVICES					
OVERTIME - ADMINISTRATION					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
001	Administration	34 800	5 800	12 369	(6 569)
016	Municipal Halls	36 900	6 150	11 067	(4 917)
030	Council general expenditure	85 600	14 267	15 616	(1 349)
078	Printing and photocopy	38 600	6 433	11 773	(5 340)
TOTAL		195 900	32 650	50 825	(18 175)

□ **Vote 001 – Administration/ Vote 030 – Council general exp/ Vote 078 – Printing and Photocopying**

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

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

□ **Vote 016 - Municipal Halls**

Increased expenditure on overtime has been incurred as a result of the Reed Dance Programme that was hosted locally.

5.3 Financial Services - Overtime

FINANCIAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	28 900	4 817	13 439	(8 622)
066	Supply Chain Management Unit	74 900	12 483	11 730	753
TOTAL		103 800	17 300	25 169	(7 869)

□ **Vote 040 - Financial Services**

Financial Services Revenue Section experienced computer system difficulties during year end processes that resulted in unavoidable overtime that needed to be performed.

5.4 Infrastructure and Technical Services - Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - ELECTRICAL SUPPLY SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
072	Electricity Distribution	2 849 700	474 950	607 774	(132 824)
Subtotal		2 849 700	474 950	607 774	(132 824)

□ **Vote 072 - Electricity Distribution**

Below is a summary of the major outages (and reasons) that contributed to the over expenditure in the Electricity - Operation and Maintenance Section.

Date	Substation	Area	Description	Time
05/08/2013	Scorpio	Industrial	11 kv Cable Fault	13h00 14h00

Cable failures in Empangeni and Ngwelezane were experienced. Furthermore, there was an increase in the number of power calls (residential as meters failed due to age).

OVERTIME - ENGINEERING SUPPORT SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
067	Mechanical services	279 200	46 533	93 504	(46 971)
Sub-total		279 200	46 533	93 504	(46 971)

□ **Vote 067 - Mechanical Services**

Over expenditure on overtime is due to breakdowns on waste legal dumping trucks and compactors. The scheduling of maintenance on old compactor vehicles over the weekends have contributed to the increased expenditure.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - TRANSPORT, ROADS AND STORMWATER					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
068	Roads and Stormwater Distribution	540 100	90 017	5 941	84 076
Sub-total		540 100	90 017	5 941	84 076

No comments required.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - WATER AND SANITATION SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
062	Scientific Services	22 700	3 783	881	2 902
074	Water and sewerage distribution	6 315 300	1 052 550	1 340 425	(287 875)
087	Sewerage pump station distribution	528 600	88 100	82 772	5 328
Sub-total		6 866 600	1 144 433	1 424 078	(279 645)
Total		10 535 600	1 755 933	2 131 298	(375 364)

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

A major contributing factor to the increasing hours of overtime is the ever increasing 'ageing' of both drinking water and wastewater infrastructure. Most of the City's urban reticulation has surpassed its design life capacity and is due for large-scale replacement. Delays in Supply Chain Management procurement in terms of plant hire such as excavator also contributed. Drinking water and sewer network historical design play a major role in response time.

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 898881**) 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 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 31 August 2013.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 August 2013.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 August 2013.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE AND EXPENDITURE AGAINST APPROVED ROLLOVERS

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7(1) - transfers and grant expenditure (**Annexure Q**) and supporting table SC7(2) - expenditure against approved Rollovers (**Annexure R**) for the month ended 31 August 2013.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure S**) for the month ended 31 August 2013.

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 August 2013.

- 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 2,53% (R8,5 million) of the original budget of R338,7 million. However, at the end of August 2013 an amount of R15,8 million for orders that payment will only be made in the following months is shown. Therefore, the revised capital spending at 31 August 2013 is R24,3 million (7,20%). Refer to 3.3 above for capital budget summary.

13. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 902243 (Annexure AD)**

ENVIRONMENTAL IMPLICATIONS

No environmental implications.

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

DISCUSSION BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 8 OCTOBER 2013

In responding to the question raised regarding the response of the National Treasury in terms the roll-over of the Financial Management Grant to 2013/2014 financial year, the Chief Financial Officer indicated that a meeting was held with the National Treasury Office that deliberated amongst other the reasons for the non-spending of the said funding. He further reported that subsequent to the said meeting a letter was forwarded to National Treasury requesting the roll-over and the response is still awaited.

Clr N C Mbanjwa extended her disapproval that no matter how little the amount owed to Council is, when the due date elapses the services are restricted. She also indicated that there are no warnings prior to the suspension of services as well as that dates are not user friendly, taking into account that when the suspension date falls on the thirtieth of the month, most pensioners receive their grants later than that date. In responding, the Chief Financial Officer indicated that when Council approves the budget it relies on estimates that would be based on services that are provided to the community such as water, electricity rates etc. Thus, it is prudent that all the monies that are owed to the Municipality regardless of the amount, are paid accordingly. He further highlighted the fact that measures prescribed by Council are utilised to alert the consumers prior to the termination of services. He urged all involved to adhere to Council's Policy in this regard. It was agreed that the presentation regarding the procedure that is followed in terms of suspending the services due to non payments will be presented once again to Council. He also assured the Committee that the Financial Services Department would avail themselves when requested to present the said procedure to Ward Committee meetings.

It bears noting that the error that occurred when National Treasury erroneously transferred funds that were meant for uMhlathuze Municipality to Uthungulu District Municipality and vice versa, the User Department reported that upon enquiries, the National Treasury assured the Municipality that it will be corrected accordingly.

RECOMMENDED THAT:

the Financial position of the uMhlathuze Municipality as at 31 August 2013, 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 898881**), be noted.