

8784

FINANCIAL REPORTING AS AT 31 JULY 2013

The report served before the Financial Services Committee on 3 September 2013. The report was noted.

PURPOSE

To submit the financial position of the uMhlathuze Municipality as at 31 July 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 July 2013 is included under **AnnexuresZ and AA (DMS 892409)**.

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 - July 2013

The monthly budget statement summary (Table C1) for the month of July 2013 (year to date actual), shows a surplus of R23,4 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 R 2,9 million (0,85%). At the end of July 2013 an amount of R8,8 million for orders that have been placed but that payment will only be made in the following month has been in the tables below. Therefore, the revised capital spent as at 31 July 2013 is R11,6 million (3,4%).

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 July 2013:

	ORIGINAL BUDGET 2013/2014	PRO-RATA ORIGINAL BUDGET (YTD)	ACTUAL (YTD) FIGURES TO 31/07/2013	TARGET ACHIEVED
	R '000	R '000	R '000	%
Revenue	1 997 756	166 480	206 851	124
Expenditure	1 989 414	165 784	183 400	111
Surplus	8 342	695	23 451	

As can be seen from the table above, Actual Surplus for the month ended 31 July 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 not certain whether Tata Steel would operate during July 2013 and August 2013 and therefore prudently did not budget for this revenue. Tata Steel is however operating its' furnaces and thus actual revenue is higher than budgeted revenue.

The same comments with regards to Tata Steel are applicable to the actual electricity purchases figures. 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 JULY 2013	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL) / SURPLUS AT 31 JULY 2013
	R' 000	R' 000	R' 000	R' 000
Conditional Grants and unspent loans	115 593	115 593	115 593	0
Working Capital	228 252	162 774	325 548	97 276
Total	343 845	278 367	441 141	97 276

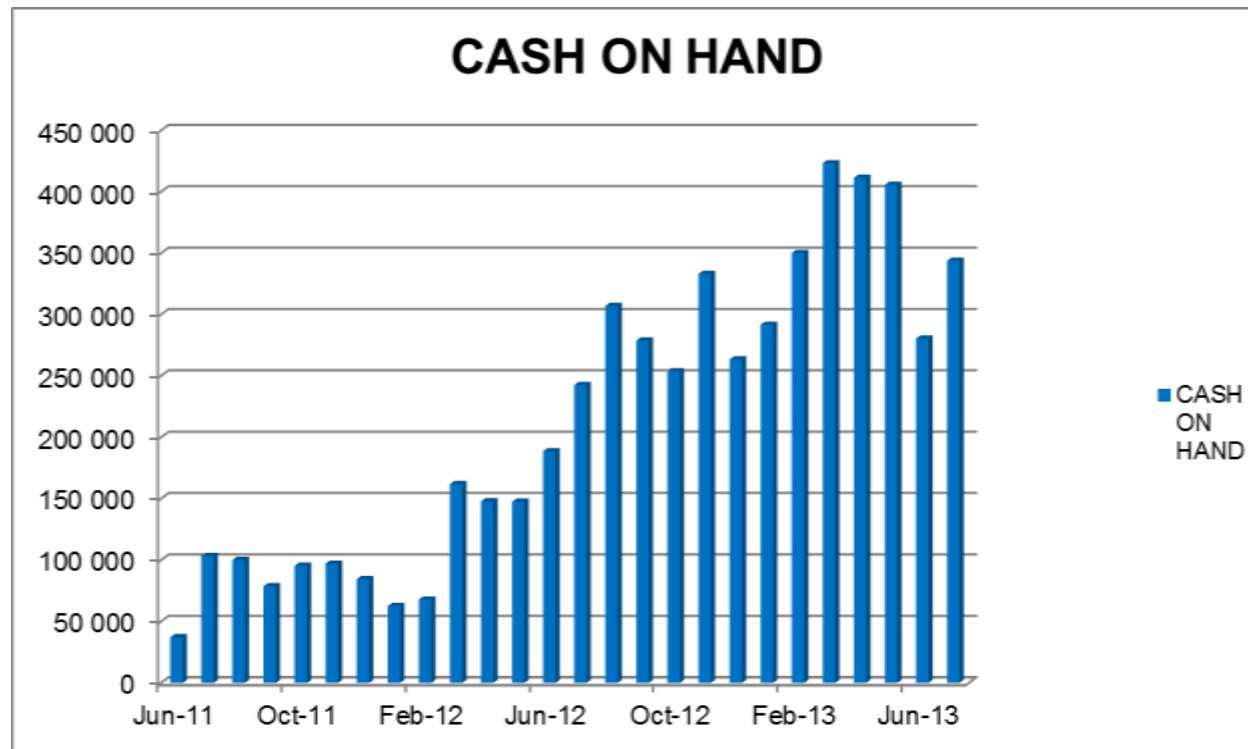
In terms of Council's Adopted Working Capital policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio sits currently at 1,41:1 (228 252/162 774).

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.

Bank Balance Trend since June 2011

Table:

	Jun-11	Apr-12	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
	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	147 783	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



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 JULY 2013	ORDERS PLACED - PAYMENTS PENDING	PERCENTAGE SPENT
	R'000	R'000	R'000	%
Executive and Council	375	0	0	0%
Budget and Treasury Office	4 751	20	0	0,41%
Corporate Services	37 027	22	2 005	0,06%
Community and Social services	16 572	376	673	2,27%
Sport and Recreation	24 693	0	6	0,00%
Public Safety	13 697	142	80	1,04%
Housing	0	0	0	0,00%
Health	6 193	0	9	0,00%
Planning and Development	157	8	15	5,46%
Road Transport	37 780	128	248	0,34%
Electricity	58 818	839	233	1,43%
Water	55 372	508	315	0,92%
Waste Water Management (Sanitation)	72 259	838	5 192	1,16%
Waste Management (Solid Waste)	11 021	0	0	0,00%
Total	338 714	2 881	8 776	0,85%

The above table represents Capital Expenditure incurred as at 31 July 2013 (0,85%). However, with the inclusion of pending payments of R8,7 million the expenditure stands at 3,44%.

The total adopted capital budget funding structure is as follows:

TYPE OF FUNDING	ORIGINAL BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS 31 JULY 2013	ORDERS PLACED - PAYMENTS PENDING	% SPENT / BUDGET
	R '000	R '000	R'000	
External loans	136 119	557	709	0,41%,
Capital replacement Reserve	87 820	953	2 964	1,09%
MIG	83 697	838	5 100	1,00%
Other Government Grants	10 000	184	0	1,84%
Public Contributions	16 237	533	3	3,28%
Reserves	4 841	0	0	0,00%
Total	338 714	3 064	8 776	0,90%

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	0	6 683 312
Total	71 447 018	0	71 477 018

This table will be reported on monthly, however the amounts approved as carry overs will only be finalised once National Treasury has indicated the roll over amounts. These figures will be finalised in the Adjustment Budget.

3.4 Expenditure per Category

EXPENDITURE PER CATEGORY	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	% OF PRO- RATA BUDGET
	R'000	R'000	R'000	%
Employee Related Costs	508 764	42 397	38 597	91
Remuneration of Councillors	21 529	1 794	1 433	80
Debt Impairment	2 075	173	0	0
Depreciation and Offsetting of depreciation	145 218	12 101	12 101	100
Finance Charges	75 538	6 295	6 295	100
Bulk Purchases - Water	97 958	8 163	6 881	84
Bulk Purchases - Electricity	830 923	69 244	101 795	147
Other Materials	24 033	2 003	1 238	62
Contracted Services	129 661	10 805	6 996	65
Transfers and Grants	9 904	825	433	52
Other Expenditure	143 811	11 984	7 630	64
TOTAL	1 989 414	165 785	183 400	111

The above table represents operating expenditure per category incurred as at 31 July 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 JULY 2013 (YTD)	% OF PRO- RATA BUDGET
	R'000	R'000	R'000	%
Rates	275 000	22 917	26 260	115
Service Charges - Electricity revenue	1 141 500	95 125	138 518	146
Service Charges - Water revenue	166 853	13 904	12 433	89
Service Charges - Sanitation revenue	74 241	6 187	5 771	93
Service Charges - Refuse revenue	57 050	4 754	4 858	102
Service Charges - Other revenue	12 472	1 039	1 190	115
Rental of Facilities and Equipment	10 878	907	1 014	112
Interest earned - External Investments	4 152	346	684	198
Interest earned - Outstanding Debtors	1 597	133	110	83
Fines	10 102	842	742	88
Licenses and Permits	2 747	229	152	66
Agency services	5 800	483	494	102
Operating Grants and Subsidies	219 635	18 303	15 865	87
Other Revenue	15 729	1 311	(1 239)	(95)
Gains on disposal of PPE	0	0	0	0
TOTAL	1 997 756	166 480	206 851	124

The above table represents operating revenue per category as at 31 July 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 not certain whether Tata Steel would operate during July 2013 and August 2013 and therefore prudently did not budget for this revenue. Tata Steel is however operating its furnaces and thus actual revenue is higher than budgeted revenue.

Other revenue as indicated in the table above appears as a debit, this is as a result of reversal of prior year transactions.

Interest earned on external investments is above the pro rata budget. Surplus funds were invested for a longer period resulting in an increased return on investment.

3.6 Surplus and Deficit by GFS Function

FUNCTION	ORIGINAL BUDGET 2013/2014			ACTUAL AS AT 31 JULY 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)	14	(786)	800
Budget and Treasury Office	289 313	4 501	284 812	27 800	(1 078)	28 878
Corporate Services	9 909	69 053	(59 143)	436	5 018	(4 582)
Community and Social services	8 858	47 693	(38 835)	181	3 245	(3 065)
Sport and Recreation	2 844	103 988	(101 143)	471	7 240	(6 768)
Public Safety	11 600	101 830	(90 230)	831	6 679	(5 848)
Housing	1 020	6 514	(5 493)	82	686	(604)
Health	4 868	28 155	(23 287)	1	2 140	(2 139)
Planning and Development	2 327	36 649	(34 322)	125	2 564	(2 439)
Road Transport	9 974	139 745	(129 772)	808	9 650	(8 842)
Environmental Protection	0	11 134	(11 134)	0	773	(773)
Other	450	342	108	4	10	(6)
Total Rates and General	341 268	550 836	(209 567)	30 753	36 140	(5 387)

FUNCTION	ORIGINAL BUDGET 2013/2014			ACTUAL AS AT 31 JULY 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	138 754	109 976	28 778
Water	314 408	303 542	10 865	21 913	21 775	138
Waste Water Management (Sanitation)	106 949	116 205	(9 256)	8 127	8 937	(810)
Waste Management (Solid Waste)	86 518	84 091	2 428	7 306	6 573	732
Total Trading Services	1 656 488	1 438 578	217 910	176 099	147 260	28 838
Grand Total	1 997 756	1 989 414	8 342	206 851	183 400	23 451

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.

3.6 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	36 585 043	1 897 162	195 651	4 371 778	43 049 634
Business	144 006 973	5 860 776	4 144 877	26 208 742	180 221 368
Households	26 389 127	2 480 633	1 761 023	28 860 009	59 490 792
Other	6 303 573	1 377 801	678 200	7 914 836	16 274 410
Total	213 284 716	11 616 372	6 779 751	67 355 365	299 036 204
%	71%	4%	2%	23%	

➤ Indicator Results

INDICATOR	PERFORMANCE TARGET	RESULT
Collection Rate in days	Below 60 days	51,10
Debtor's Turnover Rate	Below 20 %	14.00%
Average Payment %	Above 98%	99,85%

MONTH	TOTAL CONSUMER DEBTORS
	R '000
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

The average collection for households in the traditional areas is as follows:

Traditional Area	Average collection
Dube	51%
Khoza	61%
Madlebe	10%
Mkhwanazi North	9%
Mkhwanazi North	8%

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.

3.7 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 R98 590,39 as per **Annexure AB (DMS 892409)**.

Councillor's debt amounts to R0,00 as per **Annexure AC (DMS 892409)**.

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

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 JULY 2013 (YTD)	(OVER) EXPENDITURE	% OF PRO- RATA BUDGET UNDER SPENT
	R'000	R'000	R'000	R'000	%
Overtime	25 834	2 153	2 149	4	100

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 July 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 JULY 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	1 249 917	1 113 383	136 534	89%
Corporate Services	195 900	16 325	35 044	(18 719)	(215%)
Financial Services	103 800	8 650	18 084	(9 434)	(209%)
Infrastructure and Technical Services	10 535 600	877 967	982 120	(104 153)	(112%)
Office of the Municipal Manager	0	0	0	0	0
TOTAL	25 834 300	2 152 858	2 148 631	4 228	100%

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 - OVERTIME

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER/ (OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 906 800	158 900	150 792	8 108
006	Traffic	2 918 500	243 208	216 819	26 389
029	Commuter Facilities	111 400	9 283	8 863	420
032	Street Cleaning	3 777 500	314 792	347 034	(32 242)
033	Refuse Removal	4 550 900	379 242	277 510	101 731
037	Public Conveniences	85 600	7 133	10 727	(3 594)
Sub - total		13 350 700	1 112 558	1 011 746	100 813

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

The Waste Management has Votes 29, 32, 33 and 37. It bears noting that although Votes 29, 32 and 37 above indicates over-expenditure, the work undertaken by these staff was that for work done under Vote 33. This means on average there was no over-expenditure in the section, hence, savings are noticeable on Vote 33. The Departments of Community Services and Financial Services are in the process of correcting this anomaly within August in order for the actual expenditure to be recorded for Item 03 in all votes in Waste Management.

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
RECREATION AND ENVIRONMENTAL SERVICES					
002	Cemetery	651 900	54 324	65 904	(11 597)
024	Sport Development and Sports Field	191 000	15 917	6 963	8 953
025	Stadium	0	0	0	0
027	Beach Facilities	334 800	27 900	28 770	(870)
042	Swimming Pools	427 800	35 650	0	35 650
073	Parks Distribution Account	42 800	3 567	0	3 567
Sub - total		1 648 300	137 358	101 637	35 703
TOTAL		14 999 000	1 249 916	1 113 383	136 534

❑ **Vote 002 - Cemetery**

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

❑ **Vote 024 - Sports facilities**

Under spending due to the fact that the section's funds had already been exhausted.

❑ **Vote 027 - Beach Facilities**

The warm weather experienced during this period resulted in public flocking to the beaches. Facilities being available 7 days a week, including 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 standards are maintained at all times thereby, contributing to the over-expenditure.

❑ **Vote 042 - Pools**

Although the overtime expenditure does not reflect for the month of July, but the expenses incurred for the year is due to swimming pools being open 7 days a week for 8 months and the influx of public using the facilities demands the staff to work throughout the weekends. The swimming galas held at certain pools placed stress on staff working over the weekends for general up-keep of the facilities. To prevent poor service delivery these requirements have to be met, leading to over-expenditure in the overtime budget.

5.2 CORPORATE SERVICES - OVERTIME

CORPORATE SERVICES					
OVERTIME - ADMINISTRATION					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
001	Administration	34 800	2 900	5 963	(3 063)
016	Municipal Halls	36 900	3 075	10 236	(7 161)
030	Council general expenditure	85 600	7 133	12 560	(5 427)
078	Printing and photocopy	38 600	3 217	6 285	(3 068)
TOTAL		195 900	16 325	35 044	(18 719)

❑ **Vote 001 - Administration**

Overtime as a result of after-hours meeting preparations.

❑ **Vote 016 - Municipal Halls**

Overtime due to spring cleaning at the Western Services Depot in eSikhaleni which could only be done on a weekend, and also spring cleaning at Ngwelezane Library which could only be done on a weekend when the Library is closed.

❑ **Vote 078 - Printing and photocopy**

This is as a result of after-hours printing and deliveries of agendas to Councillors as well as late reports which causes unnecessary delays in the compiling and printing of agendas.

5.3 FINANCIAL SERVICES - OVERTIME

FINANCIAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	28 900	2 408	13 439	(11 031)
066	Supply Chain Management Unit	74 900	6 242	4 645	1 597
TOTAL		103 800	8 650	18 084	(9 434)

❑ **Vote 040 - Financial Services**

Financial services revenue section experienced 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 JULY 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
072	Electricity Distribution	2 849 700	237 475	316 917	(79 442)
Subtotal		2 849 700	237 475	316 917	(79 442)

❑ **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	
08/07/2013	Ngwelezane Main	Ngwelezane and uMhlathuze	Overload	18h00	22h00
15/07/2013	Antares	Alton	Helium Hoogte M/sub Vandalised	07h00	09h00
19/07/2013	Mandlazini	Mandlazini	Bunt Fuse Link	19h30	22h30
20/07/2013	Mandlazini	Mandlazini	Burnt Fuse Link	10h00	12h00
27/07/2013	Mandlazini	Mandlazini	Fuse online	18h00	20h00
28/07/2013	eNseleni	eNseleni	Intermetten Fault online	13h00	16h00

Date	Substation	Area	Description	Time	
28/07/2013	Mzingazi	Mzingazi	Line Fault	16h00	19h00
29/07/2013	Cygnus	eSikhaleni	Planned Cane Burn Under Zircon and Impala line Eskom tripped	16h45	17h11
29/07/2013	Hercules	CBD Richards Bay	Mec Burned at Hercules Sub (Eskom Fault going through system) Transformer 1	16h45	17h00
31/07/2013	Cygnus	eSikhaleni	Planned Cane Burn under Zircon and Impala Line Eskom tripped	17h01	17h09
31/07/2013	Vela	Vulindlela	11 KV fault on Zululand University side	15h00	16h15
05/08/2013	Scorpio	Industrial	11 KV Cable Fault	13h00	14h00

OVERTIME - ENGINEERING SUPPORT SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
067	Mechanical services	279 200	23 267	56 779	(33 512)
Sub-total		279 200	23 267	56 779	(33 512)

□ **Vote 067 - Mechanical Services**

Overtime expenditure is from shortage of manpower, aged fleet, breakdowns on waste, water and sanitation vehicles including rural roads development machines.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - TRANSPORT, ROADS AND STORMWATER					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
068	Roads and Stormwater Distribution	540 100	45 008	0	45 008
Sub-total		540 100	45 008	0	45 008

No comments required.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - WATER AND SANITATION SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
062	Scientific Services	22 700	1 892	0	1 892
074	Water and sewerage distribution	6 315 300	526 275	559 837	(33 562)
087	Sewerage pump station distribution	528 600	44 050	48 587	(4 537)
Sub-total		6 866 600	572 217	608 424	(36 207)
Total		10 535 600	877 967	982 120	(104 153)

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

A major contributing factor to the increasing hours of overtime is the ever increasing 'ageing' of water and wastewater infrastructure. The lack of or no expenditure on Capital water and sewer replacement projects is steadily resulting in an increase in pipeline failures and breakdowns due to age. Additional factor that largely contributes to increased overtime is continuous breakdown/failures experienced from Municipal Fleet. Most of the Council Fleet currently being utilised are on average 5 years or older and more likely to experience mechanical failure. The lack of capital expenditure to replace these vehicles is negatively impacting on the operational overtime budget. When Fleet is unavailable or in short supply emergency water or sewer repair work can at most times be extended to longer hours. The delivery of water to rural communities and all areas affected by no water shortages due to either pipe burst or water demand problems also contribute to increased overtime.

□ **Vote 087 - Sewerage Pumpstation Distribution**

Empangeni Group pumps and Reservoirs. Reservoir readings, cleaning of screens and inspections. These are daily tasks performed by the Empangeni Plumbers. The section alternates weekends including public holidays to allow staff a weekend or a day off. The section also assists Empangeni plumbers with grass cutting at Reservoirs. At both Arboretum and Alton Macerator, there is a shortage of staff. Staff is required to work double shifts when another staff member is off sick or on leave. Problems with Company Transport, standby personnel were required to pick up and drop off staff after hours. At the Magazulu Reservoir /Pearce Crescent, Standby personnel are called out to open and close valves and stop/start pumps. Assisted Plumbers with shutdown (switch pumps off and on). Richards Bay and Empangeni Pump stations - Electrical problems and blockages at various pump stations.

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 892552**) 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 July 2013.

8. CREDITORS ANALYSIS

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

9. INVESTMENT PORTFOLIO ANALYSIS

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

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 July 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 0,86% (R2,9 million) of the original budget of R338,7 million. However, at the end of July 2013 an amount of R8,8 million for orders that payment will only be made in the following months is shown. Therefore the revised capital spending at 31 July 2013 is R111,67 million (3,44%). Refer to 3.3 above for capital budget summary.

13. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 895497 (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 3 SEPTEMBER 2013

In responding to the question raised regarding the relation between the original budget of R83 797 000 the Municipal Infrastructure Grant and the R64 763 706 that is reflected in the report as the unspent Municipal Infrastructure Grant, the Chief Financial Officer indicated that the R64 763 706 is the amount that Council has requested the roll-over on. R83 797 million is the MIG funding that is in the current budget for 2013/2014 financial year. Cllr N C Mbanjwa highlighted that Council should not benchmark its practices on bad habits of not spending in time and relying on optimism that the roll-over of funding will be requested and approved. It bears noting that the Chairperson shared the same sentiments in this regard. The Committee raised a concern regarding the huge amount of overtime expenditure. The Chairperson cautioned against the overtime that is beyond the statutory requirement and indicated that adequate planning as well as monitoring to curb the abuse of overtime should be applied decisively. The CFO indicated that though the overtime was high, the departments have kept to the budgeted amount. He further pointed out that there are emergency services that require urgent attention and thus overtime in those circumstances is unavoidable.

RECOMMENDED THAT:

the Financial position of the uMhlathuze Municipality as at 31 July 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 892552**), be noted.