

ITEM 137 FINANCIAL REPORTING AS AT 31 MAY 2014

PURPOSE

To submit the financial position of the uMhlathuze Municipality as at 31 May 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 May 2014 is included under **Annexures Z and AA (DMS 969352)**.

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 - May 2014

The monthly budget statement summary (Table C1) for the month of May 2014 (year to date actual), shows a surplus of R182,1 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 R173,3 million (37%).

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 May 2014:

	ADJUSTED BUDGET 2013/2014	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL (YTD) FIGURES TO 31/05/2014	TARGET ACHIEVED
	R '000	R '000	R '000	%
Revenue (excluding capital grants)	2 178 852	1 997 281	2 031 277	102
Expenditure	2 173 801	1 992 651	1 849 153	93
Surplus	5 051	4 630	182 124	

As can be seen from the table above, Actual Surplus for the month ended 31 May 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 31 MAY 2014	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL) / SURPLUS AT 31 MAY 2014
	R' 000	R' 000	R' 000	R' 000
Conditional Grants and unspent loans	145 441	145 441	145 441	0
Working Capital	320 255	162 774	325 548	(5 293)
Total	465 696	308 215	470 989	(5 293)

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 1,967:1 (320 255/162 774).

The Cash/Cost Coverage ratio in terms of MFMA circular 71 is [(Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)] and the norm is one (1) to three (3) times the average monthly creditors.

The calculation for the above ratio is as follows: $[(164\,496 - 145\,441) + 301\,200] / (166\,823 - 12\,101 - 173)$ which currently sits at 2,072:1

It therefore needs to be noted that both in terms of Council's Policy and the National Treasury MFMA Circular 71, the City of uMhlathuze has suitable cash coverage

The table below reflects the grants gazetted and received as at 31 May 2014 from National and Provincial Treasury.

DESCRIPTION OF GRANT	TOTAL AMOUNT GAZETTED UP TO 30 APRIL 2014	AMOUNT GAZETTED FOR MAY 2014	TOTAL TO BE RECEIVED AS AT 31 MAY 2014	AMOUNT RECEIVED IN MAY 2014	TOTAL AMOUNT RECEIVED AS AT 31 MAY 2014	DIFFERENCE	TOTAL ACTUAL EXPENDITUR E AS AT 31 MAY 2014	% SPENT	COMMENTS
NATIONAL TREASURY									
Equitable Share	142 788 000	0	190 384 000	0	190 384 000	0	174 518 667	92%	The grant has been transferred in full
Water Services Operating Subsidy	7 210 000	0	7 210 000	0	7 210 000	0	5 862 663	81%	The grant has been transferred in full
Financial Management Grant	1 550 000	0	1 550 000	0	1 550 000	0	1 552 264	100%	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	724 408	81%	The grant has been transferred in full
Infrastructure Skills Development Grant	7 000 000	0	7 000 000	0	7 000 000	0	6 333 171	90%	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	1 167 047	117%	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%	The grant is from Department of Human Settlement for the Rural Sanitation programme which Council has already started. The funding is a contribution on the appointed contractors for Khoza and Madlebe Traditional Authorities. The Council resolution states that 220 VIP toilets will be done in kwaKhoza area and 200 VIP toilets will be installed in Madlebe area. To-date Council appointed two contractors for Khoza to install 3000 toilets in total and 3600 toilets in total for Madlebe areas. It be noted that the funding was transferred to Council mid-March 2014 (R 2 million) and in April 2014 (R2 million) hence the department's financial year ends in March of each year. Therefore, the funds are now implemented in the 2014/2015 financial year (regarded as a Rollover).
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. It be noted that the funding was transferred to Council mid-March 2014 (R 17.547 million). Therefore, the funds are now implemented in the last quarter 2013/2014 and 2014/2015 financial years (regarded as a Rollover).
Sport and Recreation South Africa	192 118	336 118	528 236	336 118	528 236	0	0	0%	The grant has been transferred in full.
	248 972 118	336 118	314 451 236	336 118	316 842 236	2 391 000	194 940 592	62%	

NOTES:

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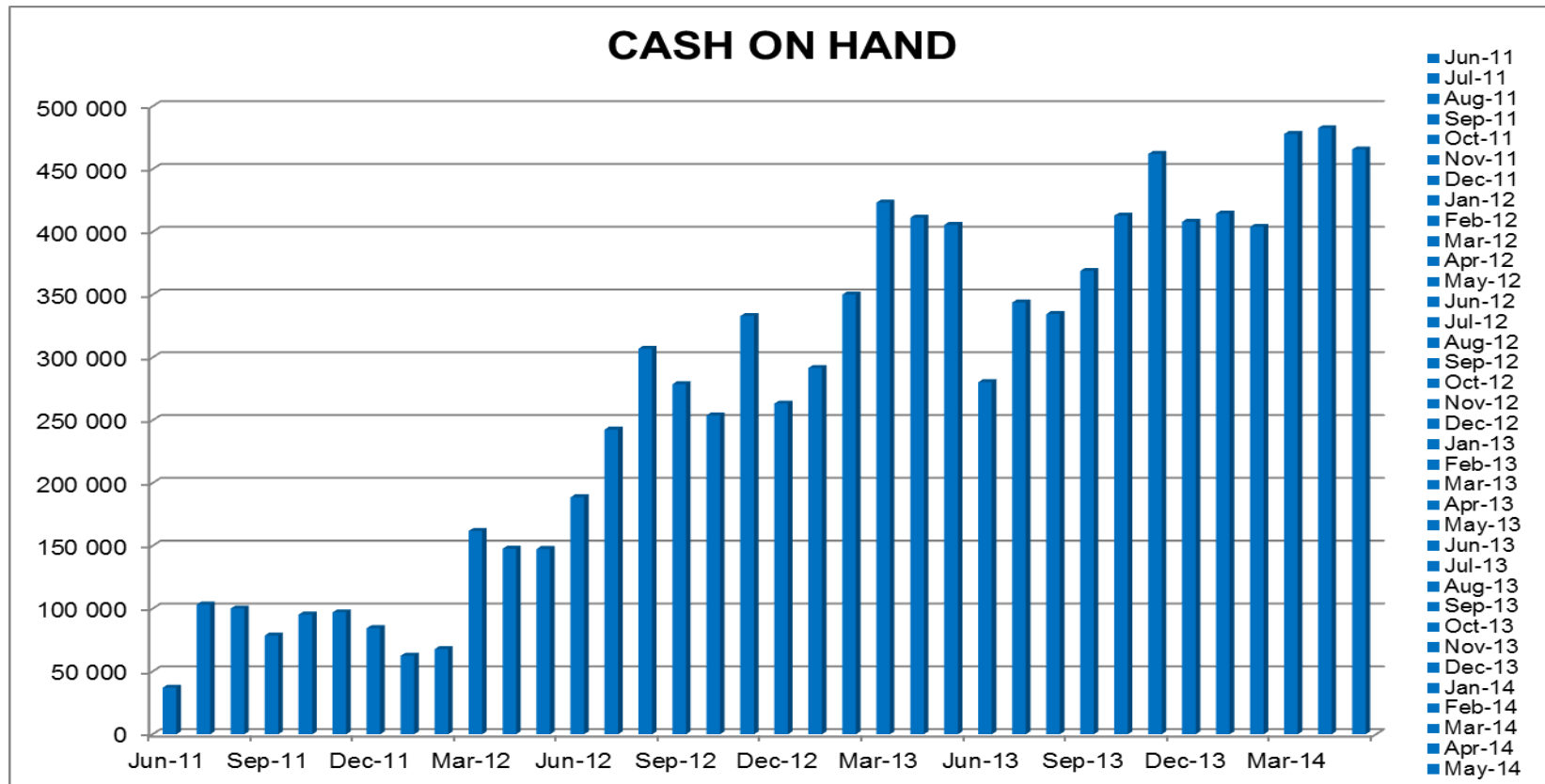
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DESCRIPTION OF GRANT	TOTAL AMOUNT GAZETTED UP TO 30 APRIL 2014	AMOUNT GAZETTED FOR MAY 2014	TOTAL TO BE RECEIVED AS AT 31 MAY 2014	AMOUNT RECEIVED IN MAY 2014	TOTAL AMOUNT RECEIVED AS AT 31 MAY 2014	DIFFERENCE	TOTAL ACTUAL EXPENDITURE AS AT 31 MAY 2014	% SPENT	COMMENTS
PROVINCIAL TREASURY									
Housing Operating account	0	0	0	0	7 779 080	7 779 080	3 619 783	47%	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 excluding Hostel Operating costs.
Library Subsidy	5 846 000	0	5 846 000	0	5 846 000	0	14 972 245	256%	Expenditure shown is the total operating cost of the Libraries.
Library Subsidy – Cyber Cadets	720 000	0	720 000	0	720 000	0	447382	62%	The grant has been transferred in full.
Museum Subsidy	143 000	0	143 000	0	284 000	141 000	1 233 773	434%	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	19 406 159	376%	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 needed 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 Alkantstrand 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	39 679 342	197%	
Total Grants	255 489 000	0	320 632 000	0	336 501 280	10 711 080	219 690 380	70%	

Bank Balance Trend since June 2011

Table:

	Jun-11	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	May 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	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	465 696



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 31 MAY 2014	% SPENT / ADJ BUDGET
	R '000	R'000	%
Executive and Council	450	326	73
Budget and Treasury Office	104	56	54
Corporate Services	45 325	24 185	53
Community and Social services	19 444	9 884	51
Sport and Recreation	27 369	5 241	19
Public Safety	14 742	2 108	14
Housing	26 244	5 101	19
Health	5 838	876	15
Planning and Development	112	33	30
Road Transport	29 005	17 448	60
Electricity	81 306	32 647	40
Water	153 668	44 237	29
Waste Water Management (Sanitation)	58 079	29 887	51
Waste Management (Solid Waste)	6 204	1 248	20
Total	467 890	173 277	37

The above table represents Capital Expenditure incurred as at 31 May 2014 (37%).

The total adopted capital budget funding structure is as follows:

TYPE OF FUNDING	DRAFT ADJUSTED BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS 31 MAY 2014	% SPENT / ADJ BUDGET
	R '000	R '000	
External loans	122 772	47 482	39
Capital replacement Reserve	81 388	33 784	42
MIG	83 697	0	0
MIG – Roll over	64 764	58 073	90
Other Government Grants	49 586	12 445	25
Other Government Grants – Roll over	44 605	12 370	28
Public Contributions	16 237	8 698	47
Reserves	4 841	426	9
Total	467 890	173 277	37

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/960	155357	Supply and Delivery of Equipment and Machinery for Sport Fields Maintenance	14/05/2014	1 326 953	224/536/0	1 797 700
8/2/1/924	155637	Extension to Ngwelezane Hall	14/05/2014	2 135 570	216/632/19 216/532/37	R 650 000 (R300 000 to be transferred from Vote 216/632/16) R 1 000 000 (R 500 000 to be transferred from Vote 219/532/97)
8/2/1/972	155570	Labour Content for the Installation of Led Streetlight Luminaires along: (1) Main Road Empangeni (2) Mandlankala Road eSikhaleni (3) Maholoholo eSikhaleni	14/05/2014	889 525	241/576/20	4 303 500
8/2/1/92A	152715	Cancellation: eSikhaleni Water Improvement	21/05/2014	20 920 265	246/884/03 246/884/05 246/684/05 246/684/06	MIG
8/2/1/958	155421	Ups Maintenance and Repairs Proposals for the Period of 36 Months (3 Years)	21/05/2014	119 226	082/217/02	193 000
8/2/1/946	155615	Upgrade of Sportsfields: eNseleni	21/05/2014	392 361	224/632/18	940 000
8/2/1/970	155627	Supply and Delivery of Various Vehicles and Plant	21/05/2014	206 999 334 999 956 400 347 412 438 204 500 000	270/536/02 270/536/03 270/650/33 270550/05 274/536/07 TPW406/1/0	220 800 357 700 339 400 617 000 300 000 1 550 000
8/2/1/960	155357	Supply and Delivery of Equipment and Machinery for Sportsfields Maintenance	21/05/2014	422 650	224/536/0	1 797 700
8/2/1/937	155200	Supply and Installation of Ambient Air Quality Stations for the City of uMhlathuze and Provision of 12 Months Staff Capacity Building Programme on Air Quality Monitoring	21/05/2014	3 521 574	208/536/02	4 500 000

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3.4 Expenditure per Category

EXPENDITURE PER CATEGORY	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2014 (YTD)	% OF PRO-RATA ADJ BUDGET
	R'000	R'000	R'000	%
Employee Related Costs	499 490	457 866	442 212	97%
Remuneration of Councillors	21 529	19 735	19 624	99%
Debt Impairment	2 075	1 902	4 746	250%
Depreciation and Offsetting of depreciation	145 218	133 117	133 116	100%
Finance Charges	73 038	66 952	69 243	103%
Bulk Purchases - Water	98 782	90 550	70 085	77%
Bulk Purchases - Electricity	959 186	879 254	811 952	92%
Other Materials	26 943	24 698	22 241	90%
Contracted Services	147 463	135 174	118 568	88%
Transfers and Grants	10 216	9 365	8 720	93%
Other Expenditure	189 861	174 039	148 646	85%
TOTAL	2 173 801	1 992 651	1 849 153	93%

The above table represents operating expenditure per category incurred as at 31 May 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 MAY 2014 (YTD)	% OF PRO- RATA ADJ BUDGET
	R'000	R'000	R'000	%
Rates	280 000	256 667	255 011	99%
Service Charges - Electricity revenue	1 288 622	1 181 237	1 215 711	103%
Service Charges - Water revenue	174 681	160 124	173 142	108%
Service Charges - Sanitation revenue	72 841	66 771	53 663	80%
Service Charges - Refuse revenue	58 390	53 524	68 167	127%
Service Charges - Other revenue	12 934	11 856	13 344	113%
Rental of Facilities and Equipment	9 086	8 329	12 294	148%
Interest earned - External Investments	10 100	9 258	8 048	87%

REVENUE PER CATEGORY	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2014 (YTD)	% OF PRO- RATA ADJ BUDGET
	R'000	R'000	R'000	%
Interest earned - Outstanding Debtors	1 673	1 534	1 213	79%
Fines	9 302	8 527	7 959	93%
Licenses and Permits	1 846	1 692	1 585	94%
Agency services	6 200	5 683	6046	106%
Operating Grants and Subsidies	236 994	217 245	199 306	92%
Other Revenue	16 183	14 834	15 788	106%
TOTAL	2 178 852	1 997 281	2 031 277	102%

The above table represents operating revenue per category as at 31 May 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 31 MAY 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)	620	1 181	(562)
Budget and Treasury Office	302 370	7 056	295 313	271 981	1 160	270 821
Corporate Services	8 645	62 854	(54 210)	6 756	54 297	(47 541)
Community and Social services	9 285	47 599	(38 314)	8 665	43 607	(34 942)
Sport and Recreation	2 474	102 965	(100 491)	6 521	93 322	(87 701)
Public Safety	10 644	102 733	(92 088)	8 917	89 013	(80 096)
Housing	6 886	10 281	(3 396)	825	8 216	(7 391)
Health	11 753	30 668	(18 915)	7 322	26 558	(19 235)
Planning and Development	1 563	32 781	(31 217)	1 506	29 247	(27 741)
Road Transport	10 535	154 661	(144 126)	9 445	123 430	(113 985)
Environmental Protection	0	4 555	(4 555)	0	4 140	(4 140)
Other	4 787	12 389	(7 602)	0	8 537	(8 537)
Total Rates and General	369 506	569 807	(200 301)	321 657	482 707	(161 050)

FUNCTION	ADJUSTED BUDGET 2013/2014			ACTUAL AS AT 31 MAY 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	485	78	407
Trading Services						
Electricity	1 296 082	1 064 134	231 947	1 233 314	913 263	320 051
Water	307 685	311 780	(4 095)	283 910	256 767	27 143
Clarified Water	13 840	16 003	(2 163)	15 268	13 252	2 016
Sewerage	103 446	118 260	(14 814)	95 988	100 035	(4 046)
Refuse Removal	87 843	93 470	(5 627)	80 655	83 053	(2 399)
Total Trading Services	1 808 896	1 603 648	205 249	1 709 134	1 366 369	342 765
Grand Total	2 178 852	2 173 799	5 054	2 031 276	1 849 154	182 122

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 October 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	7 423 074	-281 481	53 901	1 904 307	9 099 801
Business	155 751 597	6 116 703	3 277 519	25 021 901	190 167 720
Households	38 597 122	1 801 996	1 565 245	34 639 204	76 603 567
Other	4 180 649	3 579 505	5 407 087	7 176 026	20 343 267
Total	205 952 442	11 216 723	10 303 752	68 741 438	296 214 355
%	70	4	3	23	100

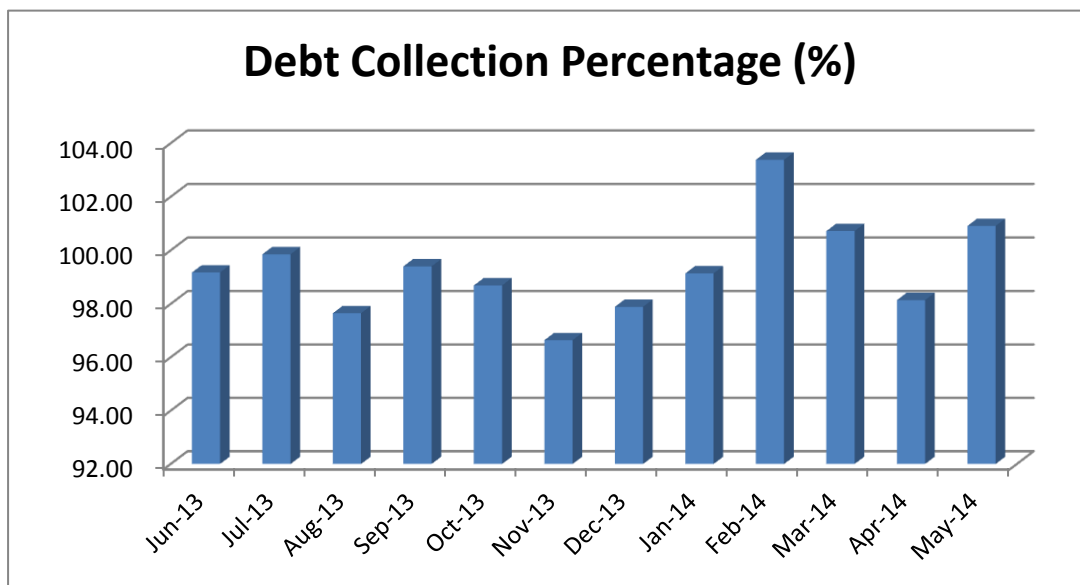
➤ Indicator Results

INDICATOR	PERFORMANCE TARGET	RESULT
Collection Rate in days	Below 60 days	45,66
Debtor's Turnover Rate	Below 20 %	12,51%
Average Payment %	Above 98%	100,91%

Debt Collection Rate

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

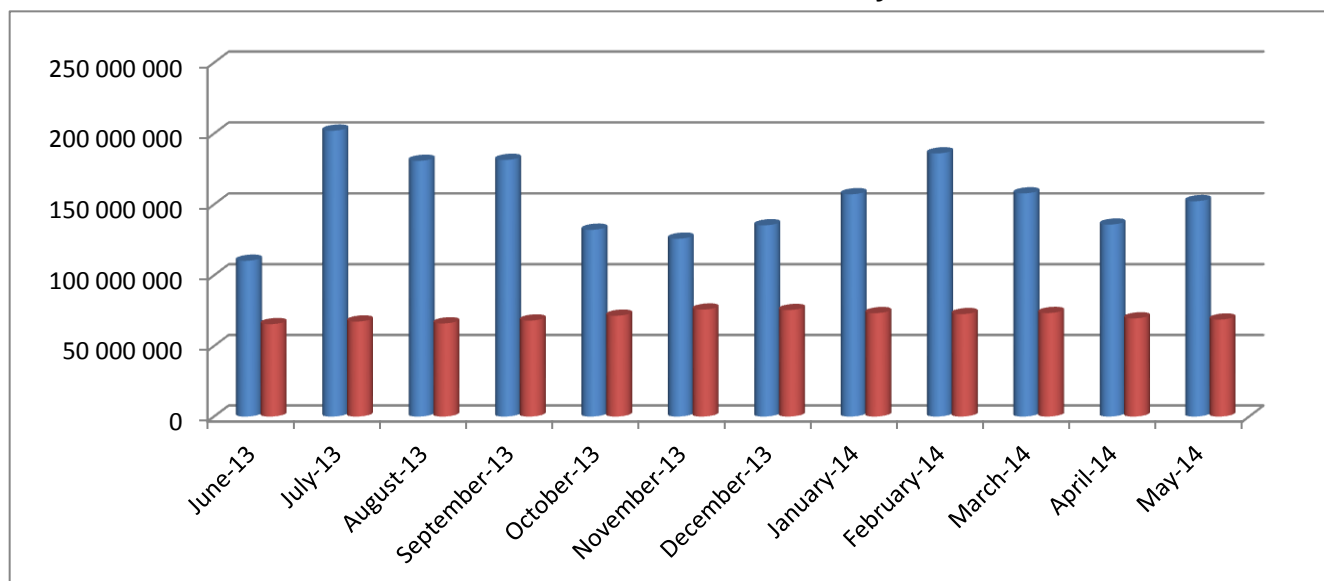
Month	Percentage (%)
Jun-13	99.17
Jul-13	99.85
Aug-13	97.65
Sep-13	99.40
Oct-13	98.69
Nov-13	96.64
Dec-13	97.89
Jan-14	99.14
Feb-14	103.38
Mar-14	100.72
Apr-14	98.14
May-14	100.91



MONTHLY BILLING COMPARED TO TOTAL DEBTORS 90 days +

Month	Monthly Billing	Debtors 90 days +	Percentage
June-13	110 266 739	65 503 910	59.40%
July-13	202 033 127	67 355 365	33.34%
August-13	180 768 531	66 033 333	36.53%
September-13	181 395 385	68 031 843	37.50%
October-13	132 113 815	71 455 602	54.09%
November-13	125 825 942	75 809 769	60.25%
December-13	135 287 435	75 500 566	55.81%
January-14	157 178 445	73 297 807	46.63%
February-14	186 009 773	72 603 303	39.03%
March-14	157 793 152	73 400 699	46.52%
April-14	135 785 677	69 584 920	51.25%
May-14	152 315 415	68 741 436	45.13%

MONTHLY BILLING COMPARED TO TOTAL DEBTORS 90 days +

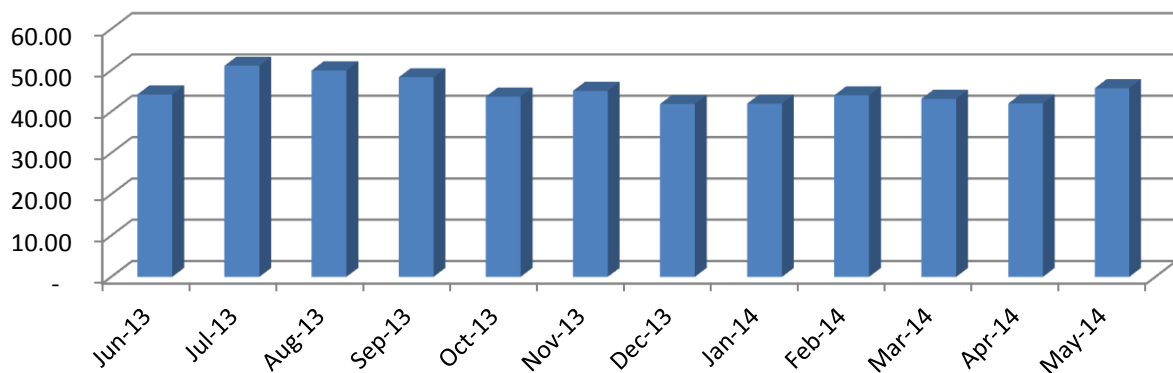


DEBT COLLECTION RATIO – in days

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.

Date	Collection in days
May-14	45.66
Apr-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

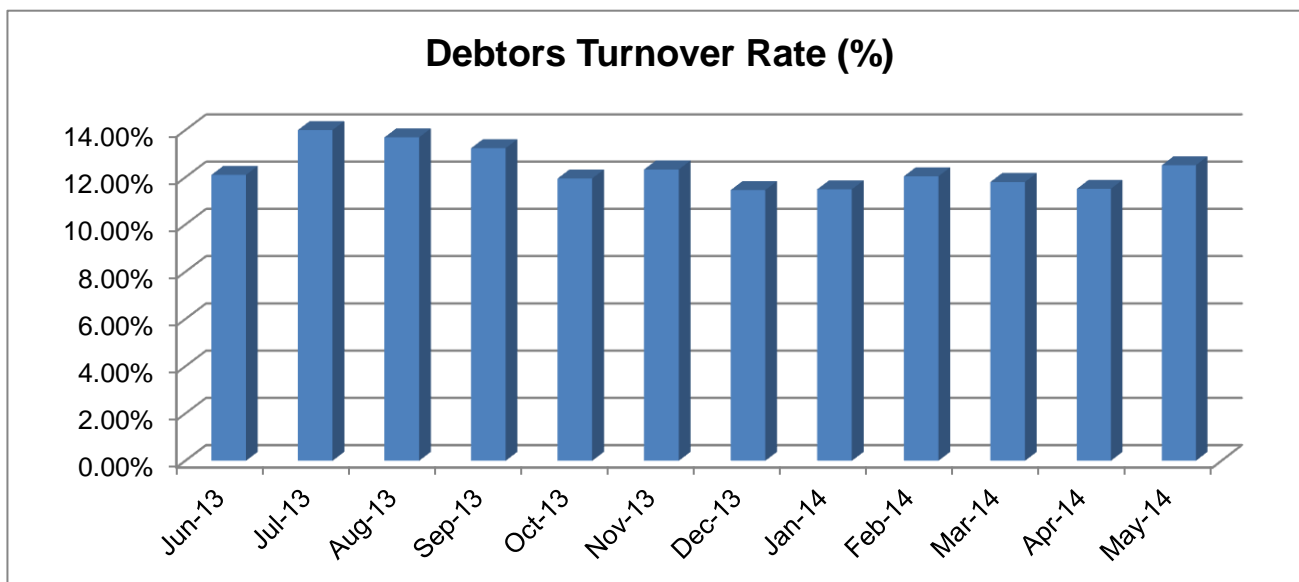
Debt Collection Ratio - In days



TURNOVER RATE OF DEBTORS (%)

In terms of the key performance indicators, the turnover rate should be below 20%. Should 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
May-14	12.51%
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%



SUMMARY OF CREDIT CONTROL TECHNICAL ACTIONS PERFORMED

Description	Mar-14	Apr-14	May-14
SMS Notification	4853	7257	6185
Final Request - Residential	3532	2855	4765
Final Request - Business	353	251	496
Electricity Disconnection Level 1 (Switch Off Supply)	102	119	99
Electricity Disconnection Level 2. Remove Circuit Breaker	22	12	5
Illegal Consumption Inspection Electricity Level 1 (Normal inspection)	40	35	21
Illegal Consumption Inspection Electricity Level 2. Follow up inspections	10	9	19
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	391	561	587
Water Restriction Level 2. (Install water pressure reducing valve)	21	26	8
Illegal Consumption Inspection Water Level 1	493	636	551
Illegal Consumption Inspection Water Level 2. (Follow up)	37	44	70
Water Disconnection (Business accounts)	63	21	47

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 R201 286,81 as per **Annexure AK - DMS 969352**.

Councillor's debt amounts to R1 061,79 as per **Annexure AL - DMS 969352**.

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 MAY 2014 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA ADJUSTED BUDGET OVER SPENT
	R'000	R'000	R'000	R'000	%
Overtime	28 501	26 125	28 486	(2 361)	109

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	
	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES
Permanent	19 664	650	47 247	754	24 754	717
Temporary	780	50	864	46	582	31

EMPLOYEES	APRIL 2014		MAY 2014	
	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES
Permanent	26 633	737	41 991	759
Temporary	1 137	33	1 329	47

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 May 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 MAY 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	13 689 225	15 866 817	(2 177 592)	116
Corporate Services	301 100	276 008	294 544	(18 535)	107
Financial Services	106 400	97 533	88 404	9 130	91
Infrastructure and Technical Services	13 159 300	12 015 300	12 236 563	(173 871)	101
Office of the Municipal Manager	0	0	0	0	0
TOTAL	28 250 500	26 125 458	28 486 327	(2 360 869)	109

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 MAY 2014 (YTD)	UNDER/ (OVER) EXPENDITURE
			R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 819 800	1 668 150	2 034 053	(365 903)
006	Traffic	2 922 000	2 678 500	2 732 828	(54 328)
009	Clinic	82 000	75 167	12 371	62 797
029	Commuter Facilities	115 000	105 417	118 717	(13 301)
032	Street Cleaning	4 329 000	3 968 250	4 481 841	(513 591)
033	Refuse Removal	3 785 400	3 469 950	4 332 335	(862 385)
037	Public Conveniences	132 300	121 275	143 675	(22 400)
Sub - total		13 185 500	12 086 708	13 855 820	(1 769 112)

□ **Vote 005 – Fire Brigade**

The firefighting services at Vulindlela, eNseleni and surrounding areas have 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 that the EPWP staff had to undergo intensive fire fighting training which resulted in fire fighters working overtime.

□ **Vote 006 – Traffic**

- 1 May 2014 (Tuesday) (08:00 21:00 shift) (double time) was a public holiday; 15 Traffic Officers worked and 2 Assistant Superintended.
- 4 May 2014 (Sunday) (07:00 to 21:00 shift) (double time) ANC Siyanqoba Rally at Esikhawini FET College, a full staff compliment was required. Duties were to cover all the intersections leading to the venue until the end of the event. 16 Traffic officers + 2 Assistant Superintendent were off duty but they were called to work 07:00 to 19:00 = 12 hours), 2 Bylaws and 3 Traffic Wardens worked 09:00 to 19:00 which is 10 hours.
- 10 Traffic Officers who were on duty but they exceeded their normal eight hours by 4 hours.
- Planned overtime a month of May has 4 weekends and a Saturday for the 31st meaning 4 x Sundays (double time claim) and 5 x Saturdays (normal time) as a result the overtime claim for May was very high

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

April 2014 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 MAY 2014 (YTD)	UNDER/ (OVER) EXPENDITURE
			R	R	R
RECREATION AND ENVIRONMENTAL SERVICES					
002	Cemetery	681 700	624 892	647 964	(23 073)
024	Sport Development and Sports Field	191 000	175 083	205 480	(30 397)
027	Beach Facilities	381 800	349 983	425 345	(75 362)
042	Swimming Pools	427 800	392 150	699 208	(307 058)
073	Parks Distribution Account	65 900	60 408	33 000	27 409
Sub - total		1 748 200	1 602 517	2 010 997	(408 480)
TOTAL		14 933 700	13 689 225	15 866 817	(2 177 592)

Vote 002 – Cemetery

Due to the high volume of internments over weekends and public holidays it is necessary for the staff to perform such duties. The focus has lately changed for internments from weekdays to weekends. Employers do not allow staff to attend private activities without the penalty of no work no pay principal.

Vote 24 – Sport Development and sports field

Breakdowns of tractors were experienced thus forcing staff to work overtime to service all communities as required. Public holidays also had on impact since 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, several public holidays 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 required staff presence during the weekends for general up-keep of the facility. Meeting all these requirements 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 MAY 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
001	Administration	82 000	75 167	126 481	(51 315)
016	Municipal Halls	66 900	61 325	53 634	7 691
030	Council general expenditure	83 100	76 175	67 149	9 026
078	Printing and photocopy	69 100	63 342	47 279	16 062
TOTAL		301 100	276 008	294 544	(18 535)

□ **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
- preparation for general election

5.3 FINANCIAL SERVICES

5.3.1 OVERTIME

	FINANCIAL SERVICES				
	OVERTIME				
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO- RATA BUDGET (YTD)	ACTUAL MAY 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
040	Financial Services	32 300	29 608	19 099	10 509
066	Supply Chain Management Unit	74 100	67 925	69 304	(1 379)
TOTAL		106 400	97 533	88 404	9 130

□ **Vote 066 - Supply Chain Management Unit**

The Supply Chain Management Unit (SCMU) provides support service to various user departments that must ensure that municipal services are provided 24 hours a day. The unit personnel are therefore required on rotation basis to be on standby in order to issue breakdown materials after hours to ensure the continuity of service delivery. The only planned overtime is the issuing of fuel every Saturday and some public holidays. The unit's overtime is inherent to the needs of user departments and it is therefore difficult to ascertain and budget for the number of breakdowns during the year.

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 MAY 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
072	Electricity Distribution	3 432 900	3 146 825	3 224 491	(77 666)
83	Electricity	41 600	38 133	0	38 133
Subtotal		3 474 500	3 184 958	3 224 491	(39 533)

□ **Vote 072 Electricity Distribution**

Please be advised that for the Month of May the Section over spent by 1% due to a significant increase in cable network failures which are long duration interruptions.

OVERTIME - ENGINEERING SUPPORT SERVICES					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2014 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
067	Mechanical services	649 900	595 742	563 482	32 260
Sub-total		649 900	595 742	563 482	32 260

No comments required.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - TRANSPORT, ROADS AND STORMWATER					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
068	Roads and Stormwater Distribution	276 800	253 733	55 246	198 487
Sub-total		276 800	253 733	55 246	198 487

No comments required.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - WATER AND SANITATION SERVICES					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
062	Scientific Services	22 200	20 350	3 378	16 972
074	Water and sewerage distribution	8 210 300	7 526 108	7 903 015	(376 907)
087	Sewerage pump station distribution	525 600	481 800	486 950	(5 150)
Sub-total		8 758 100	8 028 258	8 393 343	(365 085)
Total		13 159 300	12 062 692	12 236 563	(173 871)

□ **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.

Depot	Northern	Western	Southern
Pipe burst	11	8	13
Valves and air valves maintained	9	8	27
Meter replacement	72	82	59
New water connection	31	14	11
Meter maintained	87	105	12
Sewer blockage	78	81	72
New sewer connection	0	18	2
New sewer connection repairs	4	12	0

❑ **Vote 087 Sewerage pump station distribution**

Empangeni Group Pumps and Reservoirs - Reservoir Readings, Cleaning of screens and inspections. This is a daily task done by Empangeni Plumbers. Our section assists them to alternate weekends including public holidays so that their staff has a weekend off. Assisted Empangeni Plumbers with grass cutting at Reservoirs. Arboretum and Alton Macerator - Shortage of staff at both Macerators. Staff are required to work double shifts when staff are off sick/leave. Standby personnel are called out to purchase food for staff working overtime.

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 969364**) 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 NUMBER	DESCRIPTION	ANNEX
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 May 2014.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 May 2014.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 May 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 31 May 2014.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 May 2014.

13. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 May 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 37% (R173,3 million) of the adjusted budget of R467,9 million as at the end of May 2014

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 970936 (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:

the financial position of the uMhlathuze Municipality as at 31 May 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.