

9059

## FINANCIAL REPORTING AS AT 30 NOVEMBER 2013

*This report is submitted directly to both the Executive Committee and Council with the concurrence of the Mayor, Councillor E F Mbatha and Speaker, Councillor M S Mnqayi.*

### PURPOSE

To submit the financial position of the uMhlathuze Municipality as at 30 November 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"><li>• Ensure GRAP compliance</li><li>• Ongoing review of SCM policies and procedures</li><li>• Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models</li></ul>   |
| 2. Sustainable Financial Management                   | <ul style="list-style-type: none"><li>• Improve internal communication on budget matters</li><li>• Maintenance of fixed asset register</li><li>• Credit control and debt collection</li><li>• Compliant internal controls</li><li>• Compliant grant reporting</li><li>• Obtain targeted cash-backed statutory reserves</li><li>• Development and appropriate training and assistance to employees</li><li>• Identify and redress water and electricity tampering</li></ul> |

*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 November 2013 is included under **Annexures Z and AA (DMS 920347)**.

## **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 - November 2013**

The monthly budget statement summary (Table C1) for the month of November 2013 (year to date actual), shows a surplus of R88,7 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 in the middle of the second quarter of the financial year and capital expenditure is only R40,6 million (11,99%). At the end of November 2013 an amount of R34,8 million for orders that have been placed, but payment will only be made in the following month (as indicated in the table under 3.3 below). Therefore, the revised capital spent as at 30 November 2013 is R75,4 million (22,26%).

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

## **2. RESOLUTIONS**

Refer to the recommendations contained in this report.

## **3. EXECUTIVE SUMMARY**

### **3.1 Operating Budget**

The following table represents an executive summary for the financial period ended 30 November 2013:

|                | <b>ORIGINAL<br/>BUDGET<br/>2013/2014</b> | <b>PRO-RATA<br/>ORIGINAL<br/>BUDGET (YTD)</b> | <b>ACTUAL (YTD)<br/>FIGURES TO<br/>30/11/2013</b> | <b>TARGET<br/>ACHIEVED</b> |
|----------------|--|---|---|----------------------------|
|                | <b>R '000</b>                            | <b>R '000</b>                                 | <b>R '000</b>                                     | <b>%</b>                   |
| Revenue        | 1 997 756                                | 832 398                                       | 982 600   | 118                        |
| Expenditure    | 1 989 414                                | 828 923                                       | 893 905   | 108                        |
| <b>Surplus</b> | <b>8 342</b>                             | <b>3 476</b>                                  | <b>88 695</b>                                     |                            |

As can be seen from the table above, Actual Surplus for the month ended 30 November 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<br>30 NOVEMBER<br>2013 | CASH<br>OBLIGATIONS | POLICY<br>TARGET | (SHORTFALL) /<br>SURPLUS AT<br>30 NOV 2013 |
|--------------------------------------|--|---------------------|------------------|--|
|                                      | R' 000                                 | R' 000              | R' 000           | R' 000                                     |
| Conditional Grants and unspent loans | 151 396                                | 151 396             | 151 396          | 0  |
| Working Capital                      | 310 674                                | 162 774             | 325 548          | (14 874)                                   |
| <b>Total</b>                         | <b>462 070</b>                         | <b>314 170</b>      | <b>476 944</b>   | <b>(14 874)</b>                            |

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 1,91:1 (310 674/162 774).

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

Should the calculation be based on total cash on hand the ratio will be 2,84:1 (462070/162 774). The Chief Financial Officer does not however see this as a prudent analysis of liquidity. This position also indicates that there has been considerable amount of progress made from the previous month's shortfall of R68 419 to R14 874 in November 2013.

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

| DESCRIPTION OF GRANT                    | TOTAL AMOUNT GAZETTED TO 31 OCTOBER 2013 | AMOUNT GAZETTED FOR NOVEMBER 2013 | TOTAL TO BE RECEIVED AS AT 30/11/2013 | AMOUNT RECEIVED IN NOVEMBER 2013 | TOTAL AMOUNT RECEIVED AS AT 30/11/2013 | DIFFERENCE       | COMMENTS  |
|---|--|-----------------------------------|---------------------------------------|----------------------------------|--|------------------|---|
| <b>NATIONAL TREASURY</b>                |  |                                   |                                       |                                  |  |                  |   |
| Equitable Share                         | 79 327 000                               | 63 461 000                        | 142 788 000                           | 63 461 000                       | 142 414 000                            | 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, National Treasury has been requested for the grant 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. To date no further correspondence has been received from COGTA or National Treasury regarding these funds. |
| Water Services Operating subsidy        | 5 047 000                                | 0                                 | 5 047 000                             | 0                                | 2 187 000                              | 2 860 000        | National Treasury paid an amount of R937 000 to Council in September 2013. A further amount of R1 250 000 was received in October 2013. Expenditure amounting to R 964 494 has been incurred on this project. Receipt of further transfers is seriously under threat, accordingly to the DWA official, due to the low spend on this grant.  |
| Financial Management Grant              | 1 550 000                                | 0                                 | 1 550 000                             | 0                                | 1 550 000                              | 0                |   |
| Municipal Systems Improvement grant     | 890 000                                  | 0                                 | 890 000                               | 0                                | 890 000                                | 0                |   |
| Infrastructure Skills Development Grant | 2 000 000                                | 0                                 | 2 000 000                             | 0                                | 2 000 000                              | 0                |   |
| Extended Public Works programme         | 400 000                                  | 300 000                           | 700 000                               | 0                                | 400 000                                | 0                |   |
| Municipal Infrastructure Grant          | 60 688 000                               | 0                                 | 60 688 000                            | 0                                | 60 688 000                             | 0                |   |
| <b>Total National Treasury</b>          | <b>149 902 000</b>                       | <b>63 761 000</b>                 | <b>213 363 000</b>                    | <b>63 461 000</b>                | <b>210 129 000</b>                     | <b>3 234 000</b> |   |

NOTES:

OFFICIAL FINAL VERSION

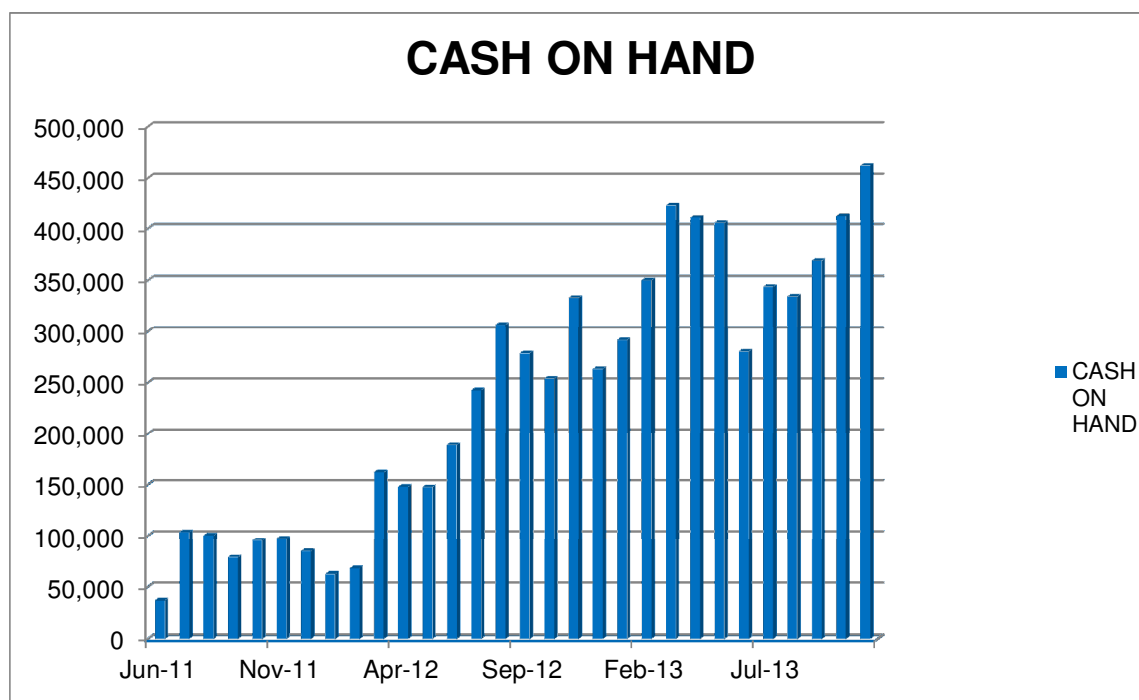
RPT 155288  
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| DESCRIPTION OF GRANT             | TOTAL AMOUNT GAZETTED TO 31 OCTOBER 2013 | AMOUNT GAZETTED FOR NOVEMBER 2013 | TOTAL TO BE RECEIVED AS AT 30/11/2013 | AMOUNT RECEIVED IN NOVEMBER 2013 | TOTAL AMOUNT RECEIVED AS AT 30/11/2013 | DIFFERENCE         | COMMENTS   |
|----------------------------------|--|-----------------------------------|---------------------------------------|----------------------------------|--|--------------------|--|
| <b>PROVINCIAL TREASURY</b>       |  |                                   |                                       |                                  |  |                    |  |
| Housing Operating account        | 0  | 0                                 | 0                                     | 1 430 000                        | 4 330 400                              | (4 330 400)        | This amount was not included in the Provincial Budget statements 2013/2014. However, Council has received these funds. |
| Library Subsidy                  | 5 846 000                                | 0                                 | 5 846 000                             | 0                                | 5 846 000                              | 0                  |  |
| Library Subsidy – Cyber Cadets   | 720 000                                  | 0                                 | 720 000                               | 0                                | 720 000                                | 0                  |  |
| Museum Subsidy                   | 143 000                                  | 0                                 | 143 000                               | 0                                | 143 000                                | 0                  |  |
| <b>Total Provincial Treasury</b> | <b>6 709 000</b>                         | <b>0</b>                          | <b>6 709 000</b>                      | <b>1 430 000</b>                 | <b>11 039 400</b>                      | <b>(4 330 400)</b> |  |
| <b>Total Grants</b>              | <b>156 611 000</b>                       | <b>0</b>                          | <b>220 072 000</b>                    | <b>64 891 000</b>                | <b>221 168 400</b>                     | <b>(1 096 400)</b> |  |

### Bank Balance Trend since June 2011

**Table:**

|              | Jun-11 | 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  | Sept13  | Oct13   | Nov 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 | 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 | 368 944 | 412 940 | 462 070 |



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

|                                     | ORIGINAL<br>BUDGET<br>2013/2014 | TOTAL ACTUAL<br>EXPENDITURE AS AT<br>31 NOVEMBER 2013 | ORDERS PLACED -<br>PAYMENTS<br>PENDING | PERCENTAGE<br>SPENT |
|-------------------------------------|---------------------------------|---|--|---------------------|
|                                     | R'000                           | R'000   | R'000                                  | %                   |
| Executive and Council               | 375                             | 227   | 13                                     | 60,65               |
| Budget and Treasury Office          | 4 751                           | 28  | 0                                      | 0,60                |
| Corporate Services                  | 37 027                          | 6 483   | 2 457                                  | 17,51               |
| Community and Social services       | 16 572                          | 2 784   | 1 227                                  | 16,80               |
| Sport and Recreation                | 24 693                          | 746   | 1 026                                  | 3,02                |
| Public Safety                       | 13 697                          | 710   | 514                                    | 5,19                |
| Housing                             | 0                               | 917   | 0                                      | 0                   |
| Health                              | 6 193                           | 210   | 197                                    | 3,39                |
| Planning and Development            | 156                             | 33  | 0                                      | 21,52               |
| Road Transport                      | 37 780                          | 1 142   | 966                                    | 3,02                |
| Electricity                         | 58 818                          | 4 159   | 6 970                                  | 7,07                |
| Water                               | 55 372                          | 15 069  | 20 031                                 | 27,21               |
| Waste Water Management (Sanitation) | 72 259                          | 8 110   | 674                                    | 11,22               |
| Waste Management (Solid Waste)      | 11 021                          | 0   | 767                                    | 0                   |
| <b>Total</b>                        | <b>338 714</b>                  | <b>40 621</b>   | <b>34 844</b>                          | <b>11,99</b>        |

**Note: Housing** – An amount of R26,2 million was unspent on the Hostels Refurbishment grant as at 30 June 2013. Expenditure is being incurred on this grant and the budget will be corrected during the Adjustment Budget.

The above table represents Capital Expenditure incurred as at 30 November 2013 (11,99%). However, with the inclusion of pending payments of 34,8 million the expenditure stands at 22,26%.

#### Unspent grants applied to National Treasury to be rolled over

| DESCRIPTION OF GRANT     | UNSPENT GRANT<br>30/06/2013 | EXPENDITURE<br>YEAR TO DATE | AVAILABLE<br>BALANCE |
|--------------------------|-----------------------------|-----------------------------|----------------------|
|                          | R                           | R                           | R                    |
| MIG                      | 64 763 706                  | 0                           | 64 763 706           |
| Energy Demand Management | 6 683 312                   | 1 164 758                   | 5 518 554            |
| <b>Total</b>             | <b>71 447 018</b>           | <b>1 164 758</b>            | <b>70 282 260</b>    |

This table will be reported on monthly. The amounts applied for as roll-overs have been approved by National Treasury in terms of DMS 909846. 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<br>BUDGET<br>2013/2014 | TOTAL ACTUAL<br>EXPENDITURE AS<br>30 NOVEMBER 2013 | ORDERS PLACED -<br>PAYMENTS PENDING | % SPENT /<br>BUDGET |
|-----------------------------|---------------------------------|--|-------------------------------------|---------------------|
|                             | R '000                          | R '000   | R'000                               |                     |
| External loans              | 136 119                         | 7 623  | 66 822                              | 5,60                |
| Capital replacement Reserve | 87 820                          | 11 377   | 5 208                               | 12,95               |
| MIG                         | 83 697                          | 18 713   | 18 458                              | 22,36               |
| Other Government Grants     | 10 000                          | 930  | 0                                   | 9,17                |
| Public Contributions        | 16 237                          | 1 978  | 18                                  | 12,18               |
| Reserves                    | 4 841                           | 0  | 0                                   | 0                   |
| <b>Total</b>                | <b>338 714</b>                  | <b>40 621</b>                                      | <b>34 844</b>                       | <b>11,99</b>        |

The table below reflects a list of all tenders awarded in November 2013.

| Tender Number                     | RPT Number | Project Description  | Date Awarded | Amount (excl VAT) | Vote number                 | Budget       |
|-----------------------------------|------------|--|--------------|-------------------|-----------------------------|--------------|
|                                   |            |  |              | R                 |                             | R            |
| 8/2/1/799                         | 154333     | Construction of Market Stalls at B-rank Empangeni  | 12/11/2013   | 2 793 077         | INFTRADE/1/0                | 3 972 979    |
| 8/2/1/867                         | 154702     | Construction of 14 Speed Humps and 6 raised pedestrian crossings In the City of uMhlathuze   | 20/11/2013   | 328 000           | 222/572/75                  | 301 900      |
| 8/2/1/883                         | 154924     | Refurbishment of Ablution Facility at Parks Depot at eSikhaleni  | 20/11/2013   | 568 459           | 273/632/02<br>273/532/02    | 675 000      |
| 8/2/1/785B                        | 154758     | Provision of Sport Facilities at eSikhaleni  | 20/11/2013   | 1 425 594         | SPRTFAC/1/0                 | GRANT FUNDED |
| 8/2/1/894                         | 155046     | Expansion of the Alkantstrand Beach Recreation Area into Newark Beach Node   | 22/11/2013   | 2 265 101         | BEACHEXP/1/0                | 3 371 131    |
| 8/2/1/843                         | 154964     | Supply and Installation of New Water Meters for City of uMhlathuze Traditional Areas   | 22/11/2013   | 1 295 905         | 246/636/01                  | 2 000 000    |
| 8/2/1/837                         | 155175     | Management, Operation And Maintenance Of Water And Wastewater Treatment Facilities And Associated Bulk Distribution Infrastructure for a period of three years | 27/11/2013   | 71 901 642        | 035/044<br>059/044          | 44 648 000   |
| 8/2/1/782                         | 155108     | Repairs To Surfaced Roads  | 03/12/2013   | 2 693 900         | 022/254/A4<br>060/238/A4&B4 | 422 300      |
| <b>TOTAL OF ALL TENDERS ABOVE</b> |            |  |              | <b>83 271 678</b> |                             |              |

### 3.4 Expenditure per Category

| EXPENDITURE PER CATEGORY                    | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOV 2013<br>(YTD) | % OF PRO-<br>RATA<br>BUDGET |
|---|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | R'000                           | R'000                       | R'000                       | %                           |
| Employee Related Costs                      | 508 764                         | 211 985                     | 195 386                     | 92                          |
| Remuneration of Councillors                 | 21 529                          | 8 970                       | 7 165                       | 80                          |
| Debt Impairment                             | 2 075                           | 865                         | 865                         | 0                           |
| Depreciation and Offsetting of depreciation | 145 218                         | 60 508                      | 60 508                      | 100                         |
| Finance Charges                             | 75 538                          | 31 474                      | 31 474                      | 100                         |
| Bulk Purchases - Water                      | 97 958                          | 40 816                      | 33 706                      | 83                          |
| Bulk Purchases - Electricity                | 830 923                         | 346 218                     | 443 491                     | 128                         |
| Other Materials                             | 24 033                          | 10 014                      | 9 220                       | 92                          |
| Contracted Services                         | 129 661                         | 54 025                      | 52 769                      | 98                          |
| Transfers and Grants                        | 9 904                           | 4 127                       | 2 889                       | 70                          |
| Other Expenditure                           | 143 811                         | 59 921                      | 56 434                      | 94                          |
| <b>TOTAL</b>                                | <b>1 989 414</b>                | <b>828 923</b>              | <b>893 905</b>              | <b>108</b>                  |

The above table represents operating expenditure per category incurred as at 30 November 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<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET (YTD) | ACTUAL NOV<br>2013 (YTD) | % OF PRO-<br>RATA<br>BUDGET |
|--|---------------------------------|--------------------------|--------------------------|-----------------------------|
|  | R'000                           | R'000                    | R'000                    | %                           |
| Rates                                  | 275 000                         | 114 583                  | 117 030                  | 102                         |
| Service Charges - Electricity revenue  | 1 141 500                       | 475 625                  | 618 763                  | 130                         |
| Service Charges - Water revenue        | 166 853                         | 69 522                   | 77 275                   | 111                         |
| Service Charges - Sanitation revenue   | 74 241                          | 30 934                   | 30 358                   | 98                          |
| Service Charges - Refuse revenue       | 57 050                          | 23 771                   | 24 331                   | 102                         |
| Service Charges - Other revenue        | 12 472                          | 5 197                    | 5 984                    | 115                         |
| Rental of Facilities and Equipment     | 10 878                          | 4 533                    | 6 280                    | 139                         |
| Interest earned - External Investments | 4 152                           | 1 730                    | 2 458                    | 142                         |
| Interest earned - Outstanding Debtors  | 1 597                           | 665                      | 569                      | 86                          |
| Fines                                  | 10 102                          | 4 209                    | 3 692                    | 88                          |
| Licenses and Permits                   | 2 747                           | 1 145                    | 749                      | 65                          |
| Agency services                        | 5 800                           | 2 417                    | 2 670                    | 110                         |
| Operating Grants and Subsidies         | 219 635                         | 91 515                   | 89 216                   | 97                          |
| Other Revenue                          | 15 729                          | 6 554                    | 3 224                    | 49                          |
| Gains on disposal of PPE               | 0                               | 0                        | 0                        | 0                           |
| <b>TOTAL</b>                           | <b>1 997 756</b>                | <b>832 398</b>           | <b>982 600</b>           | <b>118</b>                  |

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

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

**Interest Earned - external investments:** Due to the improvement in the cash flow situation of the municipality, the income earned from the investment of surplus cash has increased.

### 3.6 Surplus and Deficit by GFS Function

| FUNCTION                          | ORIGINAL BUDGET<br>2013/2014 |                |                     | ACTUAL AS AT 30 NOVEMBER 2013 |                |                     |
|-----------------------------------|------------------------------|----------------|---------------------|-------------------------------|----------------|---------------------|
|                                   | Revenue                      | Expenditure    | Surplus / (Deficit) | Revenue                       | Expenditure    | Surplus / (Deficit) |
|                                   | R'000                        | R'000          | R'000               | R'000                         | R'000          | R'000               |
| <b>Rates and General Services</b> |                              |                |                     |                               |                |                     |
| Executive and Council             | 105                          | 1 233          | (1 128)             | 534                           | 745            | (211)               |
| Budget and Treasury Office        | 289 313                      | 4 501          | 284 812             | 123 792                       | (1 733)        | 125 525             |
| Corporate Services                | 9 909                        | 69 053         | (59 143)            | 3 410                         | 24 423         | (21 014)            |
| Community and Social services     | 8 858                        | 47 693         | (38 835)            | 7 161                         | 19 092         | (11 930)            |
| Sport and Recreation              | 2 844                        | 103 988        | (101 143)           | 2 469                         | 35 764         | (33 295)            |
| Public Safety                     | 11 600                       | 101 830        | (90 230)            | 4 161                         | 39 669         | (35 508)            |
| Housing                           | 1 020                        | 6 514          | (5 493)             | 362                           | 3 657          | (3 296)             |
| Health                            | 4 868                        | 28 155         | (23 287)            | 3 442                         | 10 782         | (7 340)             |
| Planning and Development          | 2 327                        | 36 649         | (34 322)            | 670                           | 11 846         | (11 176)            |
| Road Transport                    | 9 974                        | 139 745        | (129 772)           | 4 245                         | 52 127         | (47 882)            |
| Environmental Protection          | 0                            | 11 134         | (11 134)            | 0                             | 11 051         | (11 051)            |
| Other                             | 450                          | 342            | 108                 | 462                           | 39             | 423                 |
| <b>Total Rates and General</b>    | <b>341 268</b>               | <b>550 836</b> | <b>(209 567)</b>    | <b>150 708</b>                | <b>207 463</b> | <b>(56 755)</b>     |

| FUNCTION                               | ORIGINAL BUDGET<br>2013/2014 |                  |                     | ACTUAL AS AT 30 NOVEMBER 2013 |                |                     |
|--|------------------------------|------------------|---------------------|-------------------------------|----------------|---------------------|
|  | Revenue                      | Expenditure      | Surplus / (Deficit) | Revenue                       | Expenditure    | Surplus / (Deficit) |
|  | R'000                        | R'000            | R'000               | R'000                         | R'000          | R'000               |
| <b>Trading Services</b>                |                              |                  |                     |                               |                |                     |
| Electricity                            | 1 148 613                    | 934 741          | 213 872             | 621 720                       | 484 307        | 137 413             |
| Water                                  | 314 408                      | 303 542          | 10 865              | 131 288                       | 118 012        | 13 276              |
| Waste Water Management<br>(Sanitation) | 106 949                      | 116 205          | (9 256)             | 42 299                        | 47 719         | (5 420)             |
| Waste Management (Solid Waste)         | 86 518                       | 84 091           | 2 428               | 36 585                        | 36 405         | 180                 |
| <b>Total Trading Services</b>          | <b>1 656 488</b>             | <b>1 438 578</b> | <b>217 910</b>      | <b>831 892</b>                | <b>686 443</b> | <b>145 449</b>      |
| <b>Grand Total</b>                     | <b>1 997 756</b>             | <b>1 989 414</b> | <b>8 342</b>        | <b>982 600</b>                | <b>893 907</b> | <b>88 694</b>       |

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 to 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                       | 10 986 511         | (1 107 215)      | 1 116 755        | 4 932 099         | 15 928 150         |
| Business                         | 145 398 590        | 8 652 220        | 7 152 122        | 32 621 830        | 193 824 762        |
| Households                       | 33 939 665         | 3 059 967        | 1 606 435        | 35 209 953        | 73 816 020         |
| Other                            | 12 686 729         | (2 803 350)      | (3 781 046)      | 3 045 885         | 9 148 218          |
| <b>Total</b>                     | <b>203 011 495</b> | <b>7 801 622</b> | <b>6 094 267</b> | <b>75 809 769</b> | <b>292 717 153</b> |
| %                                | 69%                | 3%               | 2%               | 26%               |                    |

#### ➤ Indicator Results

| INDICATOR               | PERFORMANCE TARGET | RESULT |
|-------------------------|--------------------|--------|
| Collection Rate in days | Below 60 days      | 45.01  |
| Debtor's Turnover Rate  | Below 20 %         | 12.33% |
| Average Payment %       | Above 98%          | 96.64% |

| MONTH          | TOTAL CONSUMER DEBTORS |
|----------------|------------------------|
|                | R '000                 |
| November 2013  | 292,7                  |
| October 2013   | 276,0                  |
| September 2013 | 280,2                  |
| 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                  |

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 on 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.

### **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 R190 880,54 as per **Annexure AB (DMS 920347)**.

Councillor's debt amounts to R769,53 as per **Annexure AC (DMS 920347)**.

## **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 Copy Charges Costs**

| DESCRIPTION  | ITEM NO | ADOPTED BUDGET 2012/2013 | ACTUAL EXPENDITURE 2012/2013 | AVERAGE EXPENDITURE PER MONTH 2012/2013 | EXPENDITURE AS AT 30/11/2013 | AVERAGE EXPENDITURE PER MONTH 2013/2014 | PROJECTED TOTAL COST TO JUNE 2014 |
|--------------|---------|--------------------------|------------------------------|---|------------------------------|---|-----------------------------------|
|              |         | R                        | R                            | R                                       | R                            | R                                       | R                                 |
| Copy Charges | 124/xx  | 436 300                  | 1 199 641                    | 99 970                                  | 911 571                      | 182 314                                 | 2 187 770                         |

In terms of Council Resolution 8348B dated 26 February 2013 (RPT 152878), Tender 8/2/1/739 - Appointment of a service provider for the implementation of Managed Print Solution (MPS) for a period of three years was awarded to Nashua Zululand.

It is important to note that increase in printing costs was to be expected as an improved service has been received by each department. It must also be noted that the average expenditure per month for the 2012/2013 financial year did not include any capital costs and that this cost is however included in the average expenditure per month for the 2013/2014 financial year.

### **4.2 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 NOVEMBER 2013 (YTD) | (OVER) EXPENDITURE | % OF PRO-RATA BUDGET UNDER SPENT |
|--------------------------|---------------------------|-----------------------|----------------------------|--------------------|----------------------------------|
|                          | R'000                     | R'000                 | R'000                      | R'000              | %                                |
| Overtime                 | 25 834                    | 10 764                | 11 480                     | (715)              | 107                              |

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   |                 | OCTOBER 2013     |                 | NOVEMBER 2013    |                 |
|--------------|------------------|-----------------|---------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
|              | TOTAL HOURS      | TOTAL EMPLOYEES | TOTAL HOURS   | TOTAL EMPLOYEES | 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             | 25 677,90        | 690             | 26 376,75        | 702             |
| Temporary    | 80,00            | 10              | 58,50         | 1               | 50,00            | 1               | 320,00           | 36              | 8                | 1               |
| <b>Total</b> | <b>22 662,75</b> | <b>710</b>      | <b>24 471</b> | <b>646</b>      | <b>24 110,50</b> | <b>667</b>      | <b>25 997,90</b> | <b>726</b>      | <b>36 384,75</b> | <b>703</b>      |

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 of November 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 NOVEMBER 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                | 6 249 583             | 5 974 502                  | 275 082                   | 96  |
| Corporate Services                    | 195 900                   | 81 625                | 120 347                    | (38 722)                  | 147   |
| Financial Services                    | 103 800                   | 43 250                | 40 129                     | 3 121                     | 93  |
| Infrastructure and Technical Services | 10 535 600                | 4 389 833             | 5 344 707                  | (954 873)                 | 122   |
| Office of the Municipal Manager       | 0                         | 0                     | 0                          | 0                         | 0   |
| <b>TOTAL</b>                          | <b>25 834 300</b>         | <b>10 764 292</b>     | <b>11 479 684</b>          | <b>(715 392)</b>          | <b>107</b>                                    |

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 R275 082 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<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER/<br>(OVER)<br>EXPENDITURE |
|  |                     | R                               | R                           | R                                | R                               |
| COMMUNITY SERVICES AND HEALTH                |                     |                                 |                             |                                  |                                 |
| 005  | Fire Brigade        | 1 906 800                       | 794 500                     | 726 986                          | 67 514                          |
| 006  | Traffic             | 2 918 500                       | 1 216 042                   | 1 154 973                        | 61 069                          |
| 029  | Commuter Facilities | 111 400                         | 46 417                      | 47 891                           | (1 475)                         |
| 032  | Street Cleaning     | 3 777 500                       | 1 573 958                   | 1 803 741                        | (229 783)                       |
| 033  | Refuse Removal      | 4 550 900                       | 1 896 208                   | 1 493 893                        | 402 316                         |
| 037  | Public Conveniences | 85 600                          | 35 667                      | 55 119                           | (19 453)                        |
| <b>Sub - total</b>                           |                     | <b>13 350 700</b>               | <b>5 562 792</b>            | <b>5 282 603</b>                 | <b>280 189</b>                  |

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

The fact that November had 5 weekends may have contributed to the over-expenditure. Also the fact that section had used employees under Vote 32 to do the work of those in Vote 33 lead to the over expenditure on Vote 32, yet there is under-expenditure on Vote 33. The votes will be balanced during the Adjustment Budget. Generally the over expenditure in other votes can be compensated by Vote 33 under-expenditure within Waste Management votes.

| COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY |                                    |                                 |                             |                                  |                             |
|--|------------------------------------|---------------------------------|-----------------------------|----------------------------------|-----------------------------|
| OVERTIME                                     |                                    |                                 |                             |                                  |                             |
| VOTE   | DESCRIPTION                        | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER/(OVER)<br>EXPENDITURE |
|  |                                    | R                               | R                           | R                                | R                           |
| RECREATION AND ENVIRONMENTAL SERVICES        |                                    |                                 |                             |                                  |                             |
| 002  | Cemetery                           | 651 900                         | 271 625                     | 284 028                          | (12 403)                    |
| 024  | Sport Development and Sports Field | 191 000                         | 79 583                      | 67 593                           | 11 991                      |
| 025  | Stadium                            | 0                               | 0                           | 0                                | 0                           |
| 027  | Beach Facilities                   | 334 800                         | 139 500                     | 159 070                          | (19 570)                    |
| 042  | Swimming Pools                     | 427 800                         | 178 250                     | 153 762                          | 24 488                      |
| 073  | Parks Distribution Account         | 42 800                          | 17 833                      | 27 446                           | (9 613)                     |
| <b>Sub - total</b>                           |                                    | <b>1 648 300</b>                | <b>686 792</b>              | <b>691 899</b>                   | <b>(5 107)</b>              |
| <b>TOTAL</b>                                 |                                    | <b>14 999 000</b>               | <b>6 249 583</b>            | <b>5 974 502</b>                 | <b>275 082</b>              |

#### □ Vote 002 - Cemetery

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

## **Vote 027 - Beach Facilities**

The Spring season commenced in September thus 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.

### **5.2 Corporate Services - Overtime**

| CORPORATE SERVICES        |                             |                                 |                             |                                  |                               |
|---------------------------|-----------------------------|---------------------------------|-----------------------------|----------------------------------|-------------------------------|
| OVERTIME - ADMINISTRATION |                             |                                 |                             |                                  |                               |
| VOTE                      | DESCRIPTION                 | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER / (OVER)<br>EXPENDITURE |
|                           |                             | R                               | R                           | R                                | R                             |
| 001                       | Administration              | 34 800                          | 14 500                      | 34 130                           | (19 630)                      |
| 016                       | Municipal Halls             | 36 900                          | 15 375                      | 27 844                           | (12 469)                      |
| 030                       | Council general expenditure | 85 600                          | 35 667                      | 29 614                           | 6 052                         |
| 078                       | Printing and photocopy      | 38 600                          | 16 083                      | 28 759                           | (12 676)                      |
| <b>TOTAL</b>              |                             | <b>195 900</b>                  | <b>81 625</b>               | <b>120 347</b>                   | <b>(38 722)</b>               |

#### **□ Vote 001 – Administration / Vote 030 – Council general expenditure / 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 all meetings of Council; and
- late submission of urgent reports to the Committee Section.

#### **□ Vote 016 - Municipal Halls**

The revamp of the Empangeni Hall was completed on 31 September 2013.

Delays were experienced as the contractor was still in the process of cleaning certain portions of the site. The inspection by the Project Management unit and the SHE Section had to be performed after hours to ensure that the hall was available for the booking scheduled on 1 October 2013.

### **5.3 Financial Services - Overtime**

| FINANCIAL SERVICES |                              |                                 |                                 |                                  |                                  |
|--------------------|------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| OVERTIME           |                              |                                 |                                 |                                  |                                  |
| VOTE               | DESCRIPTION                  | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-<br>RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER /<br>(OVER)<br>EXPENDITURE |
|                    |                              | R                               | R                               | R                                | R                                |
| 040                | Financial Services           | 28 900                          | 12 042                          | 13 439                           | (1 397)                          |
| 066                | Supply Chain Management Unit | 74 900                          | 31 208                          | 26 690                           | 4 519                            |
| <b>TOTAL</b>       |                              | <b>103 800</b>                  | <b>43 250</b>                   | <b>40 129</b>                    | <b>3 121</b>                     |

□ **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<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER /<br>(OVER)<br>EXPENDITURE |
|                                       |                          | R                               | R                           | R                                | R                                |
| 072                                   | Electricity Distribution | 2 849 700                       | 1 187 375                   | 1 430 342                        | (242 967)                        |
| <b>Subtotal</b>                       |                          | <b>2 849 700</b>                | <b>1 187 375</b>            | <b>1 430 342</b>                 | <b>(242 967)</b>                 |

□ **Vote 072 - Electricity Distribution**

Over expenditure on overtime is due to the following:

- Installation of new 3 Way RMU at University of Zululand Substation.
- Increased 11kV cable failures in eSikhaleni due to age of cables - 1st generation XLPE cables (included on the risk report with planning and strategy to budget for replacement).
- Numerous trips at Dumisane Makhaye Village phase 1 (old Eskom reticulation under designed). Solid links to be replaced with proper rated fuse links.
- Trips at Ngwelezane Main 11kV switching substation due to problems with Eskom protection grading settings. The technicians were able to solve certain issues. This includes cable faults not seen by protection as a result of grading problem.
- Cable damage due to construction work in Empangeni with the new road widening.
- Unplanned cane fire burning and runaway bush fires. Damage caused to wooden pole structures and overhead lines. Intense heat caused ionization of air around 132kV lines and caused flash overs resulting in outages.
- Pole mounted transformer failure in Brackenham. Transformer replaced. Insulation failure due to age.

| OVERTIME - ENGINEERING SUPPORT SERVICES |                     |                                 |                             |                                  |                               |
|---|---------------------|---------------------------------|-----------------------------|----------------------------------|-------------------------------|
| VOTE                                    | DESCRIPTION         | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER / (OVER)<br>EXPENDITURE |
|   |                     | R                               | R                           | R                                | R                             |
| 067                                     | Mechanical services | 279 200                         | 116 333                     | 270 761                          | (154 427)                     |
| <b>Sub-total</b>                        |                     | <b>279 200</b>                  | <b>116 333</b>              | <b>270 761</b>                   | <b>(154 427)</b>              |

□ **Vote 067 - Mechanical Services**

Over expenditure on overtime is due to the following:

- Continuous breakdowns on aged waste management trucks;
- Backlogs on services as majority of vehicles are out of warranty;
- Breakdowns on water tankers; and
- The filling in of vacant mechanic and superintendent posts.

| INFRASTRUCTURE AND TECHNICAL SERVICES      |                                   |                                 |                                 |                                  |                               |
|--|-----------------------------------|---------------------------------|---------------------------------|----------------------------------|-------------------------------|
| OVERTIME - TRANSPORT, ROADS AND STORMWATER |                                   |                                 |                                 |                                  |                               |
| VOTE                                       | DESCRIPTION                       | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-<br>RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER / (OVER)<br>EXPENDITURE |
|  |                                   | R                               | R                               | R                                | R                             |
| 068  | Roads and Stormwater Distribution | 540 100                         | 225 042                         | 11 130                           | 213 911                       |
| <b>Sub-total</b>                           |                                   | <b>540 100</b>                  | <b>225 042</b>                  | <b>11 130</b>                    | <b>213 911</b>                |

No comments required.

| INFRASTRUCTURE AND TECHNICAL SERVICES    |                                    |                                 |                                 |                                  |                                  |
|--|------------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| OVERTIME - WATER AND SANITATION SERVICES |                                    |                                 |                                 |                                  |                                  |
| VOTE                                     | DESCRIPTION                        | ORIGINAL<br>BUDGET<br>2013/2014 | PRO-<br>RATA<br>BUDGET<br>(YTD) | ACTUAL<br>NOVEMBER<br>2013 (YTD) | UNDER /<br>(OVER)<br>EXPENDITURE |
|  |                                    | R                               | R                               | R                                | R                                |
| 062                                      | Scientific Services                | 22 700                          | 9 458                           | 881                              | 8 577                            |
| 074                                      | Water and sewerage distribution    | 6 315 300                       | 2 631 375                       | 3 420 928                        | (789 553)                        |
| 087                                      | Sewerage pump station distribution | 528 600                         | 220 250                         | 210 665                          | 9 585                            |
| <b>Sub-total</b>                         |                                    | <b>6 866 600</b>                | <b>2 861 083</b>                | <b>3 632 474</b>                 | <b>(771 391)</b>                 |
| <b>Total</b>                             |                                    | <b>10 535 600</b>               | <b>4 389 833</b>                | <b>5 344 707</b>                 | <b>(954 873)</b>                 |

□ **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. Delays in Supply Chain Management procurement in terms of plant hire such as excavator has also contributed to increased overtime expenditure. 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 920346**) 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 30 November 2013.

### 8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 November 2013.

## **9. INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 November 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 30 November 2013.

## **11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure S**) for the month ended 30 November 2013.

## **12. CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 30 November 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 11,99% (R40,6 million) of the original budget of R338,7 million. However, at the end of November 2013 an amount of R34,8 million for orders that payment will only be made in the following months is shown. Therefore, the revised capital spending at 30 November 2013 is R75,4 million (22,26%). Refer to 3.3 above for capital budget summary.

## **13. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Refer to **DMS 922550 (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.

## **RECOMMENDED THAT:**

the Financial position of the uMhlathuze Municipality as at 30 November 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 920346**), be noted.