

9030
FINANCIAL REPORTING AS AT 31 OCTOBER 2013

This report is submitted directly to the Executive Committee with the concurrence of the Mayor, Councillor E F Mbatha.

PURPOSE

To submit the financial position of the uMhlathuze Municipality as at 31 October 2013, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

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

All annexures are circulated under separate addendum.

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 October 2013 is included under **Annexures Z and AA (DMS 914137)**.

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 - October 2013

The monthly budget statement summary (Table C1) for the month of October 2013 (year to date actual), shows a surplus of R80,4 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well.

It is important to note that Council is at the beginning of the second quarter of the financial year and capital expenditure is only R32,3 million (9,56%). At the end of October 2013 an amount of R38,2 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 31 October 2013 is R70,6 million (20,85%).

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 October 2013:

	ORIGINAL BUDGET 2013/2014	PRO-RATA ORIGINAL BUDGET (YTD)	ACTUAL (YTD) FIGURES TO 31/10/2013	TARGET ACHIEVED
	R '000	R '000	R '000	%
Revenue	1 997 756	665 919	796 132	120
Expenditure	1 989 414	663 138	715 678	108
Surplus	8 342	2 781	80 454	

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

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

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

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

3.2 Cash Flow Situation

Details of Bank Balances

	CASH ON HAND AT 31 OCTOBER 2013	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL) / SURPLUS AT 31 OCTOBER 2013
	R' 000	R' 000	R' 000	R' 000
Conditional Grants and unspent loans	155 811	155 811	155 811	0
Working Capital	257 129	162 774	325 548	(68 419)
Total	412 940	318 585	481 359	(68 419)

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 1,58:1 (257 129/162 774).

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 2,53:1 (412 940/162 774). 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 R80 344 to R68 419 in October 2013.

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

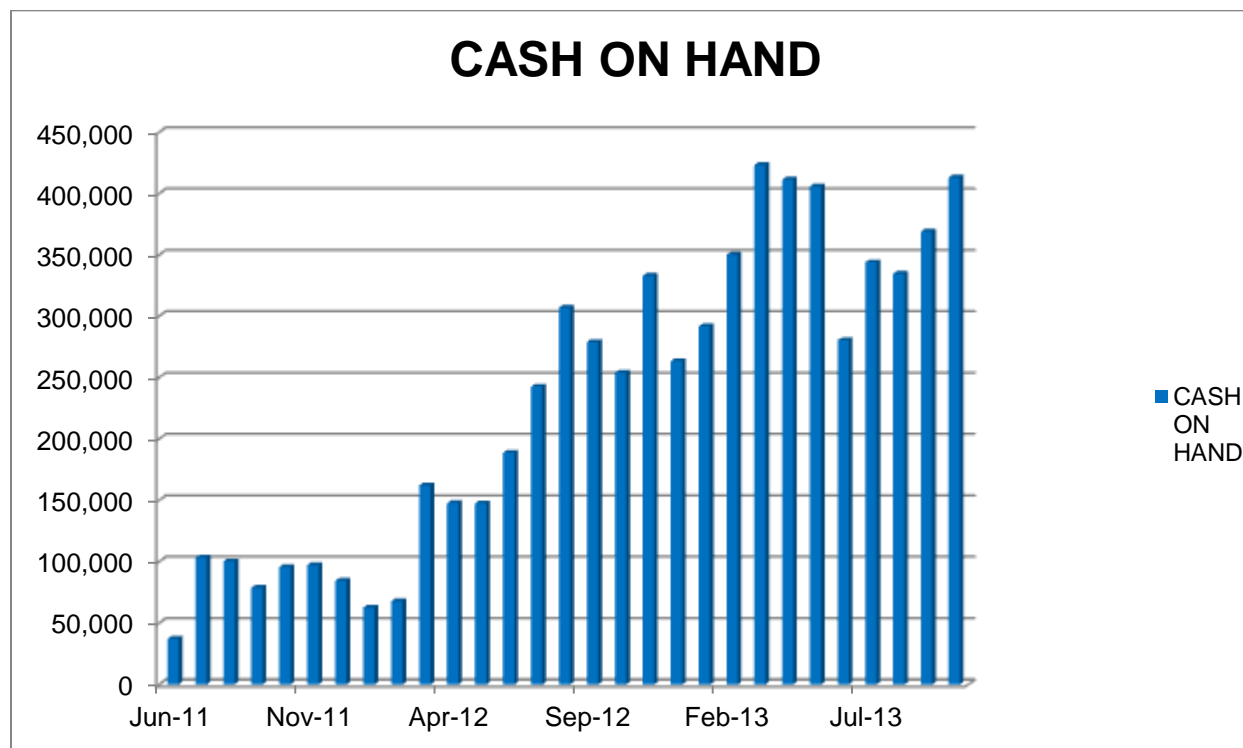
DESCRIPTION OF GRANT	TOTAL AMOUNT GAZETTED FOR QUARTER ENDED 30 SEPTEMBER 2013	AMOUNT GAZETTED FOR OCTOBER 2013	TOTAL TO BE RECEIVED AS AT 31/10/2013	AMOUNT RECEIVED FOR OCTOBER 2013	AMOUNT RECEIVED AS AT 31/10/2013	DIFFERENCE	COMMENTS
NATIONAL TREASURY							
Equitable Share	79 327 000	0	79 327 000	0	78 953 000	374 000	An amount of R374 000 has been withheld from the equitable share by National Treasury for unspent Financial Management grant 2011/2012. However, 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	2 163 000	2 884 000	5 047 000	1 250 000	2 187 000	2 860 000	National Treasury erroneously paid an amount of R937 000 to Council (which is gazetted for uThungulu District) and paid an amount of R2 163 000 to uThungulu District Municipality (which is gazetted for Council). To be rectified by National Treasury in October 2013. An amount of R2 884 000 has been gazetted to be received In October 2013. Therefore the total amount that Council should receive in October is R 4 110 000.
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	0	400 000	0	400 000	0	
Municipal Infrastructure Grant	22 620 000	38 068 000	60 688 000	38 068 000	60 688 000	0	
Total National Treasury	108 950 000	40 952 000	149 902 000	39 318 000	146 668 000	3 234 000	

DESCRIPTION OF GRANT	TOTAL AMOUNT GAZETTED FOR QUARTER ENDED 30 SEPTEMBER 2013	AMOUNT GAZETTED FOR OCTOBER 2013	TOTAL TO BE RECEIVED AS AT 31/10/2013	AMOUNT RECEIVED FOR OCTOBER 2013	AMOUNT RECEIVED AS AT 31/10/2013	DIFFERENCE	COMMENTS
PROVINCIAL TREASURY							
Housing Operating account	0	0	0	0	2 900 400	(2 900 400)	This amount was not included in the Provincial Budget statements 2013/2014. However, Council has received these funds.
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	0	143 000	143 000	143 000	143 000	0	
Total Provincial Treasury	6 566 000	143 000	6 709 000	143 000	9 609 400	(2 900 400)	
Total Grants	115 516 000	41 095 00	156 611 000	39 461 000	156 277 400	333 600	

Bank Balance Trend since June 2011

Table:

	Jun-11	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	July-13	Aug-13	Sept13	Oct13
	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	242 599	307 017	278 805	253 890	333 321	263 366	291 714	350 132	423 311	411 345	405 663	280 396	343 845	334 581	368 944	412 940



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 BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS AT 31 OCTOBER 2013	ORDERS PLACED - PAYMENTS PENDING	PERCENTAGE SPENT
	R'000	R'000	R'000	%
Executive and Council	375	3	238	0,70
Budget and Treasury Office	4 751	28	0	0,60
Corporate Services	37 027	4 256	2 664	11,49
Community and Social services	16 572	1 705	1 432	10,29
Sport and Recreation	24 693	608	823	2,46
Public Safety	13 697	551	302	4,02
Housing	0	564	0	0
Health	6 193	130	192	2,10
Planning and Development	156	33	0	21,52
Road Transport	37 780	545	1 335	1,44
Electricity	58 818	2 995	6 976	5,09
Water	55 372	14 223	20 966	25,69
Waste Water Management (Sanitation)	72 259	6 731	2 566	9,31
Waste Management (Solid Waste)	11 021	0	767	0
Total	338 714	32 372	38 261	9,56

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 31 October 2013 (9,56%). However, with the inclusion of pending payments of R38,2 million the expenditure stands at 20,85%.

Unspent grants applied to National Treasury to be rolled over

DESCRIPTION OF GRANT	UNSPENT GRANT 30/06/2013	EXPENDITURE YEAR TO DATE	AVAILABLE BALANCE
	R	R	R
MIG	64 763 706	0	64 763 706
Energy Demand Management	6 683 312	850 898	5 832 414
Total	71 447 018	850 898	70 596 120

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

The total adopted capital budget funding structure is as follows:

TYPE OF FUNDING	ORIGINAL BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS 31 OCTOBER 2013	ORDERS PLACED - PAYMENTS PENDING	% SPENT / BUDGET
	R '000	R '000	R'000	
External loans	136 119	4 056	11 579	2,98
Capital replacement Reserve	87 820	8 651	5 112	9,85
MIG	83 697	17 865	21 558	21,35
Other Government Grants	10 000	577	0	5,64
Public Contributions	16 237	1 223	12	7,53
Reserves	4 841	0	0	0
Total	338 714	32 372	38 261	9,56

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
8/2/1/828	154848	Supply and Delivery of Approximately 10 Ride-on Lawnmowers	06/11/2013	795 000,00	273/636/02	948 000
8/2/1/810A	154835	Turnkey Project to Plan, Design, Execute and Commissioning of the Electrification and Public Lighting of the following three areas Suburbs of the City of uMhlathuze	06/11/2013	270 400,00	255/672/09	500 000
8/2/1/810B	154835	Turnkey Project to Plan, Design, Execute and Commissioning of the Electrification and Public Lighting of the following three areas Suburbs of the City of uMhlathuze	06/11/2013	504 000,00	255/672/25	500 000
8/2/1/810C	154835	Turnkey Project to Plan, Design, Execute and Commissioning of the Electrification and Public Lighting of the following three areas Suburbs of the City of uMhlathuze	06/11/2013	326 900,00	255/672/26	500 000
8/2/1/829	154496	Design, Supply, Delivery, Installation and Commissioning of a New 11kV Switchboard and Associated Works for Ngwelezane Main Substation	06/11/2013	8 267 120,05	255/672/24	9 667 200
8/2/1/877	154956	Supply, Delivery and Offloading of PC Workstations, Monitors and Peripherals	06/11/2013	1 715 196,60	282/536/43	3 094 600
8/2/1/876	154987	Supply, Delivery, Offloading and Installation of a Digital Delegate Address System with built-in Voting, Language Translation, Camera Tracking, Audio and Video Digital Recording Equipment for the Council Chambers, in Richards Bay Civic Centre, including a three (3) Year Service Level Agreement for this System	06/11/2013	868 970,77	282/532/26282/636/26 077/072/13082/126/22	817 400
8/2/1/848	154714	Construction of Bus Shelter and Laybys in various areas	06/11/2013	182 571,40	222/572/77 222/672/29	385 600
8/2/1/713	154427	The Supply, Installation and Commissioning for New Substation Protection Batteries	06/11/2013	840 724,63	255/632/49	850 000
8/2/1/865	155047	Empangeni Depot Yard Upgrade – Base and Premix	06/11/2013	284 931,90	222/672/73	324 900
TOTAL OF ALL TENDERS ABOVE				14 055 815,35		17 587 700
	154815	Proposal: Long Term Borrowing 2013/2014 – R100 million	06/11/2013	100 000 000		

3.4 Expenditure per Category

EXPENDITURE PER CATEGORY	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCT 2013 (YTD)	% OF PRO-RATA BUDGET
	R'000	R'000	R'000	%
Employee Related Costs	508 764	169 588	156 072	92
Remuneration of Councillors	21 529	7 176	5 732	80
Debt Impairment	2 075	692	0	0
Depreciation and Offsetting of depreciation	145 218	48 406	48 406	100
Finance Charges	75 538	25 179	25 179	100
Bulk Purchases - Water	97 958	32 653	27 390	84
Bulk Purchases - Electricity	830 923	276 974	359 839	130
Other Materials	24 033	8 011	7 469	93
Contracted Services	129 661	43 220	40 869	95
Transfers and Grants	9 904	3 301	2 344	71
Other Expenditure	143 811	47 937	42 378	88
TOTAL	1 989 414	663 138	715 678	108

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

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

3.5 Revenue per Category

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

REVENUE PER CATEGORY	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCT 2013 (YTD)	% OF PRO-RATA BUDGET
	R'000	R'000	R'000	%
Rates	275 000	91 667	93 951	102
Service Charges - Electricity revenue	1 141 500	380 500	507 354	133
Service Charges - Water revenue	166 853	55 618	60 051	108
Service Charges - Sanitation revenue	74 241	24 747	24 104	97
Service Charges - Refuse revenue	57 050	19 017	19 518	103
Service Charges - Other revenue	12 472	4 157	5 746	138
Rental of Facilities and Equipment	10 878	3 626	4 988	138
Interest earned - External Investments	4 152	1 384	2 287	165
Interest earned - Outstanding Debtors	1 597	532	451	85
Fines	10 102	3 367	3 054	91
Licenses and Permits	2 747	916	605	66
Agency services	5 800	1 933	2 084	108
Operating Grants and Subsidies	219 635	73 212	69 850	95
Other Revenue	15 729	5 243	2 089	40
Gains on disposal of PPE	0	0	0	0
TOTAL	1 997 756	665 919	796 132	120

The above table represents operating revenue per category as at 31 October 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 2013/2014			ACTUAL AS AT 31 OCTOBER 2013		
	Revenue	Expenditure	Surplus / (Deficit)	Revenue	Expenditure	Surplus / (Deficit)
	R'000	R'000	R'000	R'000	R'000	R'000
Rates and General Services						
Executive and Council	105	1 233	(1 128)	458	(1 799)	2 256
Budget and Treasury Office	289 313	4 501	284 812	99 797	(1 839)	101 636
Corporate Services	9 909	69 053	(59 143)	3 134	19 659	(16 525)
Community and Social services	8 858	47 693	(38 835)	6 937	14 647	(7 710)
Sport and Recreation	2 844	103 988	(101 143)	1 942	32 184	(30 242)
Public Safety	11 600	101 830	(90 230)	3 464	31 023	(27 558)
Housing	1 020	6 514	(5 493)	284	2 946	(2 662)
Health	4 868	28 155	(23 287)	2	8 986	(8 984)
Planning and Development	2 327	36 649	(34 322)	514	10 348	(9 834)
Road Transport	9 974	139 745	(129 772)	3 349	40 805	(37 455)
Environmental Protection	0	11 134	(11 134)	0	3 425	(3 425)
Other	450	342	108	15	33	(18)
Total Rates and General	341 268	550 836	(209 567)	119 897	160 419	(40 522)

FUNCTION	ORIGINAL BUDGET 2013/2014			ACTUAL AS AT 31 OCTOBER 2013		
	Revenue	Expenditure	Surplus / (Deficit)	Revenue	Expenditure	Surplus / (Deficit)
	R'000	R'000	R'000	R'000	R'000	R'000
Trading Services						
Electricity	1 148 613	934 741	213 872	510 006	393 076	116 929
Water	314 408	303 542	10 865	103 236	95 901	7 335
Waste Water Management (Sanitation)	106 949	116 205	(9 256)	33 655	37 650	(3 995)
Waste Management (Solid Waste)	86 518	84 091	2 428	29 337	28 633	704
Total Trading Services	1 656 488	1 438 578	217 910	676 234	555 260	120 974
Grand Total	1 997 756	1 989 414	8 342	796 130	715 679	80 452

The table above sets out the surplus and deficit for each GFS function. It is important to note that although the trading services namely Electricity, Water, Waste Management and Waste Water Management are supposed to be profitable, only Electricity service is making significant surpluses.

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

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

3.7 Debtors Age Analysis

➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0 - 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	OVER 90 DAYS	TOTAL
	R	R	R	R	R
Government	4 949 986	1 865 036	224 995	2 807 997	9 848 014
Business	139 529 105	6 531 976	7 928 026	28 225 497	182 214 604
Households	30 038 306	3 054 740	1 775 750	32 557 020	67 425 816
Other	9 171 260	(811 507)	289 996	7 865 088	16 514 837
Total	183 688 657	10 640 245	10 218 767	71 455 602	276 003 271
%	67%	4%	4%	26%	

➤ Indicator Results

INDICATOR	PERFORMANCE TARGET	RESULT
Collection Rate in days	Below 60 days	43.61
Debtor's Turnover Rate	Below 20 %	11.95%
Average Payment %	Above 98%	98,69%

MONTH	TOTAL CONSUMER DEBTORS
	R '000
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
August 2012	245,1

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.

It must be noted that a separate report on debtors will serve at the next finance portfolio.

BUSINESS

The total balance of this category for 90 days and older is R28 225 498. The balances of the top 10 business accounts are detailed below:

DEBT. NO	NAME	CURRENT	30 DAYS	60 DAYS	90 DAYS	90+ DAYS	TOTAL
		R	R	R	R	R	R
1854904	Basfour 3721 (Pty) Ltd	1 026 000	0	3 250 900	0	7 181 283	11 458 183
1623456	Richards Bay IDZ	145 692	145 692	145 692	145 692	3 933 709	4 516 477
1610626	Tisand (Pty) Ltd	12 210	13 304	20 712	11 250	1 942 827	2 000 303
483703	Zululand Chamber Of Business	154 529	154 529	154 529	154 529	1 758 838	2 376 954
1558278	Indiza Airport Company	108 225	0	0	0	1 464 225	1 572 450
1613112	Kuhle Advertising	0	0	0	0	1 422 797	1 422 797
1613120	Kuhle Advertising	0	0	0	0	955 475	955 475
416383	River Rock Inv.	48 366	48 366	48 366	48 366	871 033	1 064 496
1615906	Gayatri Paper Mills	58 070	57 971	60 518	60 323	13 887	950 768
1622340	Biogene Services Cc	116	0	87	130	680 768	681 101
TOTALS		1 553 208	419 862	3 680 803	420 290	20 924 842	26 999 005

The debt that is older than 90 days in respect of the top ten accounts is 74% of the total business accounts older than 90 days.

The remaining accounts older than 90 days in the business category is R 7 300 656. This amount represents 4 627 business debtors accounts and accounts for 36% of the debt 90 days and older.

A short summary of the individual top 10 accounts is provided below.

1. Basfour 3721 (Pty) Ltd

This account is in respect of the commission payable on the sales of erven at the Golf Course Estate. The account is in dispute by the debtor and has been handed over to Council's attorneys for collection. The matter is still in process.

2. Richards Bay IDZ

A meeting was held on 11 June 2013 with the IDZ where it was agreed that they will purchase the property. The proposed sale price was R15.3 million. IDZ argued that because there is no signed lease agreement, the charges be reversed. The agreement was that the outstanding charges be considered when they purchase the land.

3. Tisand (Pty) Ltd

This arrear account relates to a water surcharge. Tisand is of the view that because they are outside Council's area of jurisdiction, the surcharge does not apply to them. The account was handed over to Council's attorneys and the matter is in progress.

4. Zululand Chamber of Business

This account relates to the dispute regarding the increase in rental on the long term nominal lease. Council was advised in a separate report (RPT 154107, Resolution 8842) that Council's attorneys have advised that this matter is purely a contractual matter and Council had no right to unilaterally levy rates or increase rental. The attorneys have however been advised to file a plea to the extent that ZCBF is in breach of the terms of the agreement as they failed to disclose that their original purpose for establishing the ZCBF had changed.

5. Indiza Airport Company

This account is for Fire Brigade Services to the airport. Credit Control action was instituted and notice for disconnection was then delivered. A formal notice was then received where the account was disputed. The Municipal Manager is considering the matter under clause 20 of the Credit Control and Debt Collection bylaw of Council. The balance has arisen as a result of a misunderstanding in communication between the Indiza Airport Company and the Fire Brigade Services. The service is still rendered without agreement for payment.

6. Kuhle Advertising

This account relates to arrears in respect of a charges payable in terms of an advertising tender. After a due legal process, these accounts have been deemed to be irrecoverable and will be included in the next write off report.

7. River Rock Investments (Pty) Ltd

This account relates to the increase of the rental to a higher amount as stipulated in the agreement. The debtor disputed the account. The matter is still in progress.

8. Gayatri Paper Mills (Pty) Ltd

The debtor closed business and the account relate to the balance after closure. The account has been handed over to Council's attorneys.

9. Biogene Services (Pty) Ltd

This account is a closed consumer's account. There was a problem with the metering on the premises and the majority of the debt was raised in one account. The monthly account of the debtor also increased drastically thereafter and the business could no longer operate and closed its doors. The account was handed over to Council's attorneys for collection.

RESIDENTIAL

The total balance in this category is R48 981 784 of which R32 557 021 is older than 90 days.

TOWN	TOTAL (INCLUDING CURRENT)	BALANCE OUTSTANDING 90 DAYS +
Ngwelezane (Includes the Madlebe Traditional Area)	10 272 080	7 364 347
Empangeni (Includes the Dumisane Makhaye Village)	8 719 699	3 969 528
eSikhaweni (Includes the Mkhwanazi South and Dube Areas)	14 481 298	12 457 436
Nseleni (Includes the Khoza Traditional Area)	4 213 392	3 524 974
Vulindlela (Includes the Mkhwanazi North Area)	2 553 199	1 992 291
Richards Bay (Includes Mandlazini and Mzingazi areas)	8 742 116	3 248 445
	48 981 785	32 557 021

It is clear that the majority arrears in this category are within the areas where the highest unemployment rates are common. This is also the areas where the most challenges are with the collection of debt. Everything possible, which is prescribed by the Credit Control policy, is done to collect the debt.

A detailed report will be submitted to outline the issues of the residential debt. The profile of each town will be reported to Council and preventative measures will be put in place with the buy-in from Council to ensure that debt escalation for residential areas does not escalate further.

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 R226 004,59 as per **Annexure AB (DMS 914137)**.

Councillor's debt amounts to R518,51 as per **Annexure AC (DMS 914137)**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES - FOR ENTIRE MUNICIPALITY

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

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

4.1 Employee related costs

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

Below is a table indicating overtime expenditure at the request of Council, which allows this expenditure to be monitored and managed on a monthly basis.

EXPENDITURE PER CATEGORY	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET UNDER SPENT
	R'000	R'000	R'000	R'000	%
Overtime	25 834	8 611	9 066	(455)	105

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	
	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
Temporary	80,00	10	58,50	1	50,00	1	320,00	36
Total	22 662,75	710	24 471	646	24 110,50	667	25 997,90	726

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 October 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 OCTOBER 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	4 999 667	4 685 197	314 470	94
Corporate Services	195 900	65 300	88 967	(23 667)	136
Financial Services	103 800	34 600	34 666	(66)	100
Infrastructure and Technical Services	10 535 600	3 511 867	4 257 188	(745 321)	121
Office of the Municipal Manager	0	0	0	0	0
TOTAL	25 834 300	8 611 433	9 066 018	(454 585)	105

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 R314 470 savings that has been realised to date.

5. **EXCEPTION REPORTING - DEPARTMENTAL**

5.1 **Community Services, Health and Public Safety - Overtime**

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER/ (OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 906 800	635 600	588 052	47 548
006	Traffic	2 918 500	972 833	895 155	77 679
029	Commuter Facilities	111 400	37 133	40 775	(3 641)
032	Street Cleaning	3 777 500	1 259 167	1 499 796	(240 629)
033	Refuse Removal	4 550 900	1 516 967	1 109 571	407 396
037	Public Conveniences	85 600	28 533	45 982	(17 448)
Sub - total		13 350 700	4 450 233	4 179 330	270 904

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

The fact that October had 4 weekends and the holiday of 24 September 2013 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.

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
RECREATION AND ENVIRONMENTAL SERVICES					
002	Cemetery	651 900	217 300	228 330	(11 030)
024	Sport Development and Sports Field	191 000	63 667	59 647	4 019
025	Stadium	0	0	0	0
027	Beach Facilities	334 800	111 600	130 347	(18 747)
042	Swimming Pools	427 800	142 600	75 511	67 089
073	Parks Distribution Account	42 800	14 267	12 031	2 235
Sub - total		1 648 300	549 433	505 867	43 566
TOTAL		14 999 000	4 999 666	4 685 197	314 470

- **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 BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
001	Administration	34 800	11 600	24 741	(13 141)
016	Municipal Halls	36 900	12 300	23 668	(11 368)
030	Council general expenditure	85 600	28 533	17 959	10 574
078	Printing and photocopy	38 600	12 867	22 599	(9 732)
TOTAL		195 900	65 300	88 967	(23 667)

❑ **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 BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	28 900	9 633	13 439	(3 806)
066	Supply Chain Management Unit	74 900	24 967	21 228	3 739
TOTAL		103 800	34 600	34 666	(66)

□ **Vote 040 - Financial Services**

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

5.4 Infrastructure and Technical Services - Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - ELECTRICAL SUPPLY SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
072	Electricity Distribution	2 849 700	949 900	1 131 415	(181 515)
Subtotal		2 849 700	949 900	1 131 415	(181 515)

□ **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 Brackenhams. Transformer replaced. Insulation failure due to age.

OVERTIME - ENGINEERING SUPPORT SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
067	Mechanical services	279 200	93 067	189 907	(96 840)
Sub-total		279 200	93 067	189 907	(96 840)

□ **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 BUDGET 2013/2014	PRO- RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
068	Roads and Stormwater Distribution	540 100	180 033	10 670	169 363
Sub-total		540 100	180 033	10 670	169 363

No comments required.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - WATER AND SANITATION SERVICES					
VOTE	DESCRIPTION	ORIGINAL BUDGET 2013/2014	PRO- RATA BUDGET (YTD)	ACTUAL OCTOBER 2013 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
062	Scientific Services	22 700	7 567	881	6 686
074	Water and sewerage distribution	6 315 300	2 105 100	2 749 002	(643 902)
087	Sewerage pump station distribution	528 600	176 200	175 313	887
Sub-total		6 866 600	2 288 867	2 925 196	(636 329)
Total		10 535 600	3 511 867	4 257 188	(745 321)

□ **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 SCM 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 914134**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEX
Table C1	Monthly Budget Statement Summary	A
Table C2	Monthly Budget Financial Performance (Standard Classification)	B
Table C2C	Monthly Budget Financial Performance (Detail) (Standard Classification)	C
Table C3	Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table C3C	Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
Table C4	Monthly Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
Table C5C	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	H
Table C6	Monthly Budgeted Financial Position	I
Table C7	Monthly Budgeted Cash Flows	J
Table SC1	Material variance explanations	K
Table SC2	Monthly Performance indicators	L
Table SC3	Aged Debtors	M
Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
Table SC7(1)	Transfers and grant expenditure	Q
Table SC7(2)	Expenditure Against Approved Rollovers	R
Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y

PART 2 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 October 2013.

8. CREDITORS ANALYSIS

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

9. INVESTMENT PORTFOLIO ANALYSIS

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

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

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

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 October 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 9,56% (R32,3 million) of the original budget of R338,7 million. However, at the end of October 2013 an amount of R38,2 million for orders that payment will only be made in the following months is shown. Therefore, the revised capital spending at 31 October 2013 is R70,6 million (20,85%). Refer to 3.3 above for capital budget summary.

13. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 916331** (**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 31 October 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 914134**), be noted.