

12930

FINANCIAL REPORTING AS AT 31 OCTOBER 2018

The report served before the Financial Services Portfolio Committee on 20 November 2018 and as the meeting did not constitute a quorum the report is referred to the Executive Committee for consideration.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 October 2018, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

Section 71 of the Municipal Finance Management Act (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. The National Treasury issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out.

Furthermore, the National Treasury 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 format 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.

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs issued the Municipal Regulations on Standard Chart of Accounts as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 April 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations take effect on 1 July 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective, the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the Standard Chart of Accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the Standard Chart of Accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by the National Treasury.

In terms of Council Resolution 8901 dated 26 November 2013, Council was selected as a Pilot Site for the mSCOA implementation.

Section 1 of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

"A detailed plan approved by the October or of a municipality in terms of Section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:

- (a) *Projections for each month of-*
- (i) *Revenue to be collected, by source; and*
 - (ii) *Operational and capital expenditure, by vote.”*

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of October 2018 is included under **Annexures Z and AA (DMS 1312221)**.

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PART 1 - IN-YEAR REPORTING

1. FINANCIAL REPORT FOR THE MONTH OF OCTOBER 2018

In terms of the Budget Regulations, Part 1 in-year reporting, the August 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;

The Mayor has considered the Section 71 report for the month of October 2018, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 2018. A detail of all the points highlighted by the Mayor is included in the report.

Operational Budget

The monthly budget statement summary (Table C1) for the month of October 2018 (year to date actual) shows a surplus of R 92 million. This is R21,7 million below the Pro-rata target R113,7 million, which is a concern. The anticipated surplus for the month is mainly as a result of the higher electricity tariff charged during the winter months as well as the annual rates that is levied for government debtor’s months billing as well. The performance in this area is Acceptable but with concern.

Capital Budget

Council is in the second quarter of the financial year and capital expenditure is fairly low at R94,7 million (16,40%). This is based on the Adopted Capital Budget of R525 million plus Roll-Overs of R52 million (R577 million for Draft Adjustments Budget). Expenditure is expected to rise as the year progresses. The performance in this area although is not Acceptable proportionately, it is expected at this early stage of the New Year. The Project steering Committee is monitoring the capital projects to ensure that any issues are resolved promptly.

Cash Flow

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 currently sits at 2,02:1 (439 161/217 827). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is Acceptable.

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. EXECUTIVE SUMMARY

This section deals with the financial status of the Municipality at executive level and highlights matters that are of particular importance from the Chief Financial Officer’s perspective.

3.1 Operating Budget

The following table represents an executive summary for the financial period ended 31 October 2018:

DESCRIPTION	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue	3,184,097,300	1,124,513,100	1,083,655,551	96.37%
Less: Capital Revenue				
Capital Grants and Subsidies	(129,223,800)	(43,074,600)	-	0.00%
Gains on Disposal of PPE	-	-	(6,106,223)	0.00%
Adopted Revenue Budget	3,054,873,500	1,081,438,500	1,077,549,328	99.64%
Expenditure	3,016,496,500	967,785,300	985,589,146	101.84%
Adopted Expenditure Budget	3,016,496,500	967,785,300	985,589,146	101.84%
Surplus/(Deficit)	38,377,000	113,653,200	91,960,182	

3.2 Cash Flow Situation

Council's Working Capital Policy:

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 currently sits at 2,02:1 (439 161/217 827).

3.3 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2018	AMOUNT GAZETTED FOR AUGUST 2018	AMOUNT GAZETTED FOR SEPTEMBER 2018	AMOUNT GAZETTED FOR OCTOBER 2018	AMOUNT RECEIVED AS AT 31/10/2018	ACTUAL EXPENDITURE AS AT 31/10/2018	% SPENT	COMMENTS
NATIONAL TREASURY								
Equitable Share	135 940 000		-	-	135 940 000	108 751 667	33%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services
Municipal Infrastructure Grant	30 000 000		-	-	30 000 000	30 406 525	29%	This expenditure is as per claims submitted to COGTA.
Financial Management Grant	-	2 650 000	-	-	2 650 000	343 338	13%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG			-	6 000 000	-	1 794 233	11%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Programme		1 298 000	-	-	1 298 000	2 296 041	44%	The grant is for the operational expenditure for EPWP
Infrastructure Skills Development Grant	2 300 000		-	-	2 300 000	1 572 420	31%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Energy Efficiency and Demand Side management Grant	2 000 000		-	2 000 000	2 000 000	2 079 219	35%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency
TOTAL NATIONAL TREASURY GRANTS	170 240 000	3 948 000	-	8 000 000	174 188 000	147 243 443	32%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2018	AMOUNT GAZETTED FOR AUGUST 2018	AMOUNT GAZETTED FOR SEPTEMBER 2018	AMOUNT GAZETTED FOR OCTOBER 2018	AMOUNT RECEIVED AS AT 31/10/2018	ACTUAL EXPENDITURE AS AT 31/10/2018	% SPENT	COMMENTS
PROVINCIAL TREASURY								
Provincialisation of Libraries	-	-	8 275 000	-	-	7 949 937	96%	Expenditure shown is the total operating cost of the Libraries for the period. The Gazetted amount was received in November and we will therefore show it on the November Financial report.
Community Library Services Grant (Cyber cadets)	-	-	1 576 000	-	-	392 084	25%	Expenditure shown is the total operating cost of the Cybercadets for the period. The Gazetted amount was received in November and we will therefore show it on the November Financial report.
Housing Operating Account	-	-	2 213 000	-	-	4 087 108	185%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	192 000	-	192 000	1 366 209	712%	Expenditure shown is the total operating cost of the Museum.
Sports and Recreation-Operational	-	-	58 000		-	-	0%	Sports and Recreation - Operational
Sports and Recreation-Capital	-	-	7 850 000		2 616 500	-	0%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
TOTAL PROVINCIAL TREASURY GRANTS	-	-	20 164 000	-	-	13 795 338	68%	
TOTAL GRANTS AND SUBSIDIES	170 240 000	3 948 000	20 164 000	8 000 000	174 188 000	161 038 781	33%	

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 October 2018:

FUNCTION	ADOPTED BUDGET 2018/2019	ROLL-OVERS 2017/2018	VIREMENTS	DRAFT ADJUSTED BUDGET	ACTUAL OCTOBER 2018 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	R	%
Finance and Administration	102,236,000	21,603,000	(5,237,900)	118,601,100	5,420,296	4.57%
Community and Social Services	54,821,300	7,125,900	(3,059,300)	58,887,900	11,396,467	19.35%
Energy Sources	85,472,000	10,640,500	(100,000)	96,012,500	8,712,225	9.07%
Environmental Protection	200,000	38,500	-	238,500	-	0.00%
Planning and Development	3,952,500	1,242,200	(414,400)	4,780,300	118,263	2.47%
Public Safety	559,000	-	(60,000)	499,000	63,945	12.81%
Road Transport	133,723,200	4,444,200	9,831,600	147,999,000	30,555,017	20.65%
Sport and Recreation	25,600,400	1,916,600	-	27,517,000	1,085,688	3.95%
Waste Management	1,700,000	1,325,200	-	3,025,200	559,893	18.51%
Waste Water Management	48,123,200	1,292,000	-	49,415,200	22,850,349	46.24%
Water	68,773,200	2,756,800	(960,000)	70,570,000	13,950,744	19.77%
	525,160,800	52,384,900	-	577,545,700	94,712,887	16.40%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2018/2019	ROLL-OVERS 2017/2018	DRAFT ADJUSTED BUDGET	ACTUAL OCTOBER 2018 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	%
Borrowing	310,000,000	-	310,000,000	47,232,064	15.24%
Capital Replacement Reserve	85,937,000	52,384,900	138,321,900	21,217,605	15.34%
MIG	99,373,800	-	99,373,800	22,389,766	22.53%
Government Grants - National	22,000,000	-	22,000,000	3,873,452	17.61%
Government Grants - Provincial	7,850,000	-	7,850,000	-	0.00%
TOTAL	525,160,800	52,384,900	577,545,700	94,712,887	16.40%

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 October 2018:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	812 123 200	261 804 700	243 830 851	93.13%
Remuneration of Councillors	31 880 800	9 672 000	9 691 954	100.21%
Debt Impairment	26 512 500	8 837 600	8 837 600	100.00%
Depreciation and asset impairment	376 066 000	125 360 800	125 361 335	100.00%
Finance Charges	67 884 000	22 628 000	22 628 000	100.00%
Bulk Purchases - Electricity	897 363 700	341 796 100	322 777 452	94.44%
Bulk Purchases - Water	103 581 500	33 491 500	38 748 042	115.70%
Other Materials	114 232 700	30 934 900	39 031 022	126.17%
Contracted Services	312 731 000	59 291 500	99 777 644	168.28%
Transfers and grants	12 533 600	4 082 700	7 876 341	192.92%
Other Expenditure	261 587 500	69 885 500	67 028 905	95.91%
TOTAL	3 016 496 500	967 785 300	985 589 146	101.84%

Pro-rata adopted budget

The figures shown in the table above for the Pro-Rata Adopted Budget have been extracted from the 2018/19 Adopted Budget Tables – Table SA25 - Budgeted monthly revenue and expenditure.

This table sets out Council's projected monthly revenue and expenditure and has been based on actual revenue and expenditure from previous years. It forms a more accurate comparison than the budget divided by 12 months.

Employee related costs

The Salary and wage collective agreement for the period 1 July 2018 to 30 June 2021 has been finalized. The salary increases and respective back pay has been calculated and is included in actual expenditure.

Bulk Purchases - Electricity

Electricity purchases are higher in July and August due to the increased tariff charged by Eskom in the winter months.

Bulk Purchases – Water

It is important to note that Council budgeted for a 5.5% increase in Water Purchases however the actual increase as per Mhlathuze Water is as follows:

- Potable water = 8.14%
- Raw water = 7.42%
- Clarified water = 12.11%

Other Materials

Included under Other Materials are the following items that have exceeded the pro-rata budget:

	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT	% ADOPTED BUDGET SPENT
	R	R	R	%	%
Fuel and Oil	21 905 000	5 914 400	8 097 330	136.91%	36.97%
Materials for Fleet Maintenance	8 225 100	2 220 800	3 758 800	169.25%	45.70%
Materials for Maintenance on Water Reticulation	8 398 400	2 267 600	6 072 619	267.80%	72.31%
Materials for Maintenance on Rural Roads	18 419 400	4 973 200	8 440 300	169.72%	45.82%

It is important to note that if the current spending pattern continues the respective departments will exhaust their 2018/19 Adopted Budget allocations before the end of the financial year. Each department will then need to identify savings from other items and prepare the necessary virements.

Contracted Services

Included under Contracted Services are the following items that have exceeded the pro-rata budget:

	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT	% ADOPTED BUDGET SPENT
	R	R	R	%	%
Outsourced Services:Sewerage Services	87,353,800	16,597,200	31,294,914	188.56%	35.83%
Outsourced Services: Internal Auditors	3,652,200	693,900	3,883,594	559.68%	106.34%
Contractors: Safeguard and Security	30,887,100	5,868,500	15,859,741	270.25%	51.35%
Consultants and Professional Services: Business and Advisory: Project Management - ERP Project Managers	5,200,000	988,000	3,984,000	403.24%	76.62%
Contractors: Maintenance of Buildings and Facilities - Telemetry	6,523,500	1,239,500	3,641,282	293.77%	55.82%

It is important to note that if the current spending pattern continues the respective departments will exhaust their 2018/19 Adopted Budget allocations before the end of the financial year. Each department will then need to identify savings from other items and prepare the necessary virements.

However, with regards to internal audit and the ERP Project Manager, additional funding has been requested by the user department and this funding will need to be sourced during the adjustment budget process.

Transfers and grants

The following the transfers and grants were paid during the period under review:

Programmes	R
Richards Bay Football Club	2 500 000
Women's Day celebration	100 000
Aerobics Marathon	100 000
Disaster Food Packs	132 967
Soul And Jazz Experience	1 555 000
Madiba Jive	250 000
Sponsorship Of Face Of Mzansi Finalist 2018	6 000
Catering for 1300 Maidens	203 050
Operation Siyaya Emhlangeni	197 677
God's Power Gospel Celebration Tour	30 000
Jabulani Shandu Ematshane Production	30 000
4th Annual Spring Tour Music Festival	300 000
Cebile Live Music Concept	15 000
Posters For Poet And Comedy Show	10 800
Umhlathuze Music Festival	100 000
Diwali Festival	50 000
Sisters Help Desk Corner	500 000
Dolosfees	200 000
Jabulani Shandu Ematshane Productions - Assistance	20 000
Other special programmes (Youth, religious sector, policy formulation, Operation Sukuma Sakhe)	503 912
Economic Development programmes	260 870
Downstream Aluminium Centre For Technology	188 000
uMhlathuze Tourism Organisation	116 946
Bursaries (Non-Employee) – children of employees	86 119
Richards Bay SPCA & Empangeni SPCA	420 000
	7 876 341

59% of the total budget for transfers and grants has already been spent during the first four months of the year.

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	474 453 400	184 336 600	186 869 049	101.37%
Service Charges – Electricity revenue	1 579 530 100	545 263 100	526 781 894	96.61%
Service Charges – Water revenue	337 842 300	110 480 000	134 324 004	121.58%
Service Charges – Refuse revenue	80 371 500	28 078 300	35 503 003	126.44%
Service Charges – Sanitation revenue	99 625 200	32 603 000	33 510 834	102.78%
Rental of facilities and equipment	8 448 800	2 629 000	2 286 171	86.96%
Interest earned – external investments	55 000 000	9 774 500	13 414 862	137.24%
Interest earned – outstanding debtors	3 397 900	966 400	1 270 188	131.44%
Fines	4 087 300	1 087 000	1 923 332	176.94%
Licences and permits	3 807 500	1 183 700	1 277 080	107.89%
Agency services	7 796 500	2 545 300	2 152 383	84.56%
Operating Grants and Subsidies	356 638 300	143 850 800	136 132 000	94.63%
Capital Grants and Subsidies	129 223 800	43 074 600	-	0.00%
Gains on Disposal of PPE	-	-	6 106 223	0.00%
Other Revenue	43 874 700	18 640 800	2 104 528	11.29%
TOTAL REVENUE	3 184 097 300	1 124 513 100	1 083 655 551	96.37%
Less: Capital Revenue				
Gains on Disposal of PPE	-	-	(6 106 223)	0.00%
Capital Grants and Subsidies	(129 223 800)	(43 074 600)	-	0.00%
TOTAL OPERATING REVENUE	3 054 873 500	1 081 438 500	1 077 549 328	99.64%

The above table represents operating revenue per category as at 31 October 2018.

Pro-rata adopted budget

The figures shown in the table above for the Pro-Rata Adopted Budget have been extracted from the 2018/19 Adopted Budget Tables – Table SA25 - Budgeted monthly revenue and expenditure.

This table sets out Council's projected monthly revenue and expenditure and has been based on actual revenue and expenditure from previous years. It forms a more accurate comparison than the budget divided by 12 months.

Rates - Includes annual rates billing from annual rate payers i.e. government accounts.

Rental of facilities and equipment – Decreased due to cancellation of Penda Petroleum's lease agreement.

Agency services – varies as it is dependent on the service rendered to the community and Council earns 8% commission from the revenue raised.

Service Charges - Electricity Revenue - Electricity revenue is higher in July and August due to high demand tariffs.

Operating Grants and Subsidies - the pro-rata budget used is as per payment schedule provided by National Treasury. Amount of R135 million (40% of the total equitable share) was received in July 2018.

3.7 Surplus and Deficit by Service Category

SERVICES	ADOPTED BUDGET 2018/2019			ACTUAL AS AT 31 OCTOBER 2018		
	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	191	21,843	(21,652)	58	(375)	433
Finance and Administration	549,274	39,114	510,160	205,944	3,735	202,209
Community and Social Services	20,302	92,392	(72,090)	1,137	31,198	(30,061)
Sport and Recreation	20,464	161,009	(140,545)	1,356	49,617	(48,261)
Public Safety	1,102	71,238	(70,136)	265	22,310	(22,045)
Housing	3,804	17,810	(14,006)	502	6,053	(5,551)
Environmental Protection	1,009	11,050	(10,041)	-	3,059	(3,059)
Planning and Development	18,676	91,739	(73,063)	1,012	29,275	(28,263)
Internal Audit	-	44	(44)	-	2,568	(2,568)
Road Transport	31,850	280,003	(248,153)	4,215	89,694	(85,479)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	-	48,469	(48,469)	-	17,017	(17,017)
Other	8,700	5,966	2,734	1	1,481	(1,480)
Total Rates and General Services	655,372	840,677	(185,305)	214,490	255,632	(41,142)
Airport	736	115	621	-	12	(12)
Trading Services						
Electricity	1,596,982	1,292,648	304,334	529,952	442,619	87,333
Water	491,501	462,737	28,764	170,944	156,765	14,179
Clarified Water	27,219	15,216	12,003	11,709	7,297	4,412
Sewerage	275,326	240,597	34,729	87,764	72,366	15,398
Refuse Removal	145,652	164,506	(18,854)	62,691	50,899	11,792
Total Trading Services	2,536,680	2,175,704	360,976	863,060	729,946	133,114
Total Service Category	3,192,788	3,016,496	176,292	1,077,550	985,590	91,960

The table above sets out the surplus and deficit for each service category. It is important to note that trading services namely Electricity, Water, Clarified Water, Sewerage and Refuse Removal are expected to be profitable and they are yielding surpluses. **Water is yielding a profit based on inflated drought tariffs and 40% of equitable share received in July 2018.**

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 and increasing revenue. For Rates, the primary solution is to reduce expenditures in specific areas that are Rates dependant.

From a sustainability perspective, it is of particular concern that all functions funded by Rates and General Income are not breaking even

Taking into cognisance the above mentioned points, a revenue diversification project is at planning stage and the document has been prepared under **DMS 1177516** to enable council to enhance existing revenue streams and to attract investments in the city that will provide revenue growth in the city and lessen the catastrophic risk of high reliance with revenue from electricity service charge.

3.8 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
Government	8,713,738	472,244	5,539,790	6,380,909	21,106,681
Business	235,539,376	19,000,072	10,114,288	52,062,137	316,715,873
Households	53,316,608	5,034,429	5,395,802	109,888,902	173,635,741
Other	3,559,273	305,614	540,757	7,118,646	11,524,290
Total	301,128,995	24,812,359	21,590,637	175,450,594	522,982,585
%	57.58%	4.74%	4.13%	33.55%	

FINANCIAL REPORTING ON INCOME / DEBT

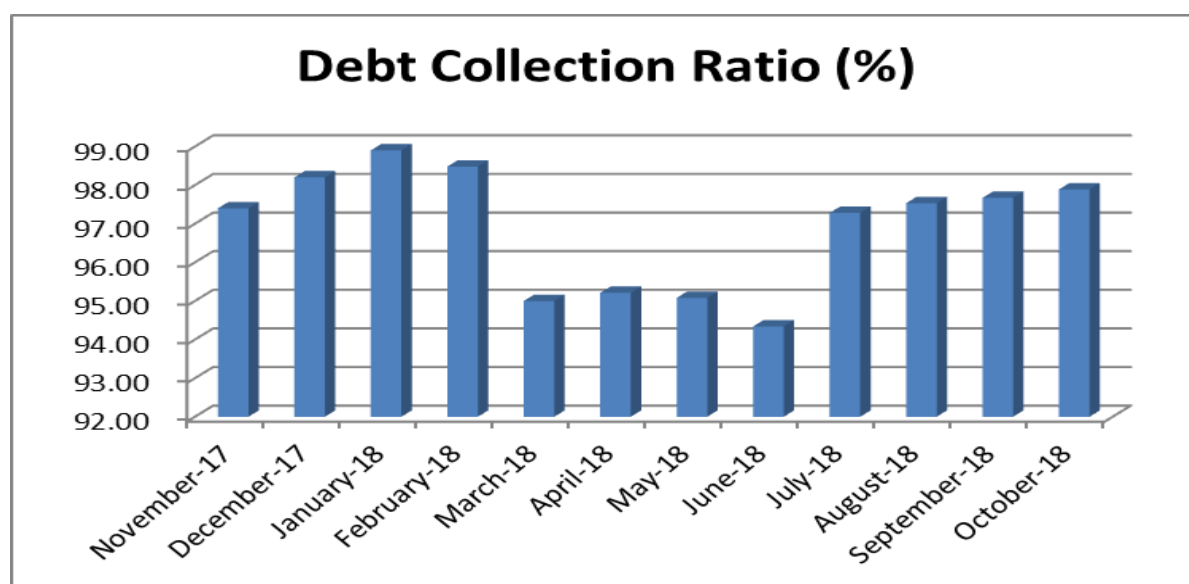
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National Treasury determined the formulas for every financial ratio in terms of Circular 71. These formulas will, therefore, be used in the reporting.

➤ **Debt Collection Rate**

The Ratio indicates the collection rate, i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. The following formula and norm is included in the circular:

<i>Formula (As per circular 71)</i>	<i>Norm</i>
Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	The norm is 95%

Month	Debt Collection Ratio (%)
October-18	97.89
September-18	97.67
August-18	97.53
July-18	97.28
June-18	94.34
May-18	95.08
April-18	95.21
March-18	95.00
February-18	98.48
January-18	98.90
December-17	98.20
November-17	97.40



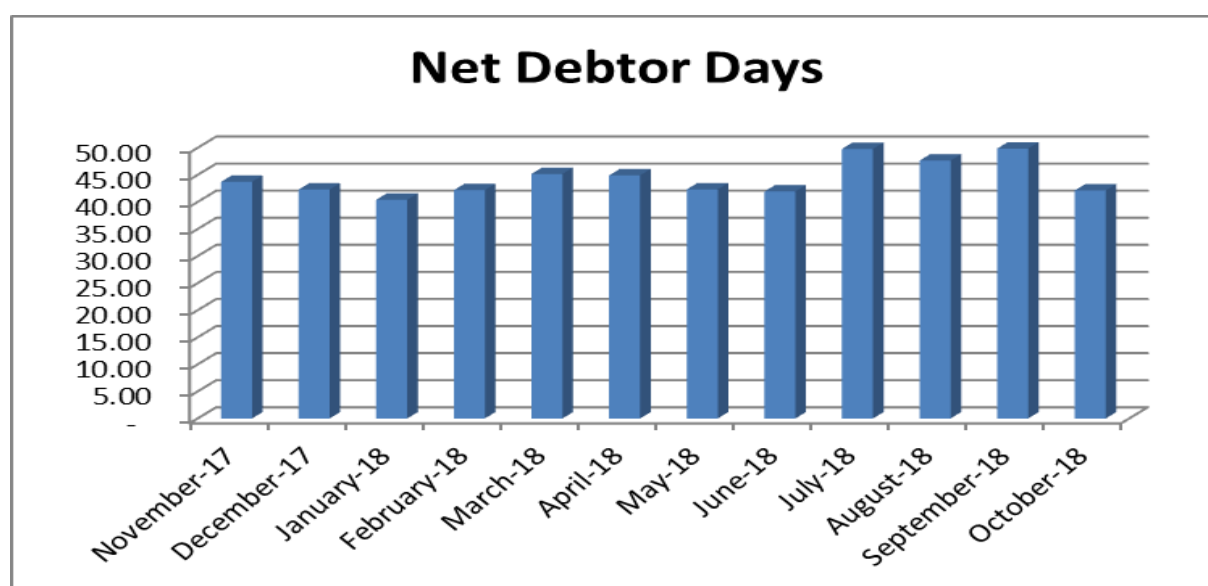
➤ **Net Debtors Days**

This ratio reflects the collection period. Net Debtor Days refer to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.

The Ratio excludes balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of Credit Control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful debts.

<i>Formula (As per circular 71)</i>	<i>Norm</i>
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is 30 Days

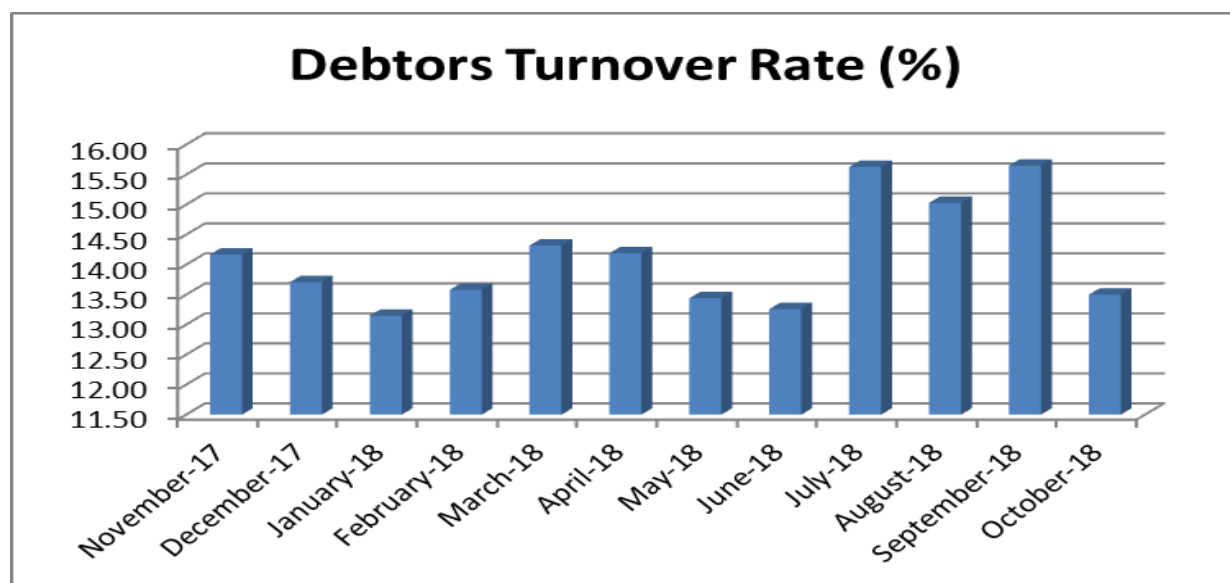
Month	Net Debtor Days
October-18	42.12
September-18	49.86
August-18	47.63
July-18	49.79
June-18	41.92
May-18	42.30
April-18	44.89
March-18	45.17
February-18	42.17
January-18	40.40
December-17	42.28
November-17	43.70



Debtor's Turnover Rate

The norm is to be below 20%.

Month	Debtors Turnover Rate (%)
October-18	13.50
September-18	15.65
August-18	15.03
July-18	15.63
June-18	13.26
May-18	13.44
April-18	14.19
March-18	14.32
February-18	13.58
January-18	13.15
December-17	13.71
November-17	14.17



Top Ten Business Debts

TOP 10 DEBTORS			
Debtor No	Name	90 days +	Grand Total
1854904	BASFOUR 3721 (PTY) LTD	22,377,590	22,377,590
568393	KING CETSHWAYO DISTRICT MUNICIPALITY	2,780,382	6,306,229
2289941	PANDA PETROLEUMS	4,996,347	5,000,659
551583	KING CETSHWAYO DISTRICT MUNICIPALITY	417,583	4,191,802
416383	RIVER ROCK INVEST (PTY) LTD	2,319,690	2,572,320
392020	RIVER ROCK INVEST (PTY) LTD	1,152,635	2,164,535
528545	CALANDRA TRADING 592 CC	499,265	740,272
1317138	KING CETSHWAYO DISTRICT MUNICIPALITY	524,421	657,572
2368872	CADRE PROPERTIES (PTY) LTD	720,582	863,853
2247701	BEST CUT MEAT (PTY) LTD	2,795,982	3,387,885
		38,584,479	48,262,717

1. BASFOUR 3721 (PTY) LTD

The administration around this legal process is managed by the Finance Department.

Basfour 3721 (Pty) Ltd / Indlovu Dev Trust Trustees is the account for the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate. The developer disputed the account. The dispute is of a contractual nature. The account was handed over to Council's attorneys. Summons was issued and the case was defended. The setting down of the court date by the Registrar of the High Court for the claim is still awaited. The advocate has provided a summary of the pre-trial processes that must now be completed. It includes several consultations with the relevant officials and witnesses.

Update: October 2018

There is no further progress top report and the matter is ongoing.

2. PANDA PETROLEUMS

This debt is in respect of rental of town land in respect of the proposed truck stop in Alton. The debtor's failure to adhere to the agreement was been reported to the DMM City Development, Property Division to give the debtor notice in terms of the agreement. The debtor's account was handed over to Council's attorneys for collection but the file was pended under request from the legal section who advised that they will be dealing with the matter. Legal Services (Litigation sub-section) advised that it is their view that collection proceedings should proceed. It was confirmed that the agreement between Council and Panda Petroleum was terminated on 12 October 2017 (DMS 1234550). Subsequent to the termination, Panda Petroleum requested Council to consider amendment of the lease agreement. This request was considered to be out of time.

The legal process to collect the debt is ongoing

Update: October 2018

There is no further progress as the legal process is continuing.

3. BEST CUT MEAT (PTY) LTD

The account relates to an electricity & water account for the Best Cut factory in Empangeni. The debtor advised that the full account will be paid as a transaction is pending that will enable them to do so. The payment arrangement was concluded and substantial first payment was received. The debtor did not honour the payment arrangement and the electricity to the factory was disconnected. The account was also handed over to Council's attorneys for further collection. There is a guarantee noted on the account and the guarantee was also called up. The electricity is still off. The legal process has now been placed on hold as the company went into Business Rescue. Council's debt remains secured against the property and will be paid in due course. The Business rescue Practitioner has now provided his Business Rescue Plan. There is a process where the plan must now be considered by the creditors and this is scheduled for the second week of July 2018. The business rescue plan was adopted by the majority creditors. In terms of the business rescue plan, Council will receive the full outstanding amount on the account. The process is expected to be completed within 3-6 months.

Update: October 2018

The property was sold by the Business Rescue Practitioner (BRP) on a public auction for R2.5 million subject to confirmation. On request by the BRP, the Chief Financial Officer after consultation with the Municipal Manager indicated that Council would accept an amount of R2 million rand in settlement. This is due to the lengthy process that will follow if the sale does not go through and the company are then obliged to go into liquidation.

The matter is still ongoing.

4. KING CETSWHAYO DISTRICT MUNICIPALITY (KCDM) – 3 accounts

The one account relates to the repair of a broken fibre optic cable by a contractor working for the KCDM. Council's legal services section is working with KCDM officials and the Contractor to resolve the matter. The other accounts relates to a dispute lodged by KCDM regarding the drought water tariff being charged.

Update: October 2018

The matter is ongoing.

5. CADRE PROPERTIES

This debt is in respect of rates for a property in the newly incorporated area of Ntambanana. The debtor had to be traced due to lack of debtor information available. Officials are currently in discussion with the debtor to arrange payment. The debtor disputed the charges in respect of the rates. They advised that under Ntambanana they were paying approximately R5 000.00 per month and are now expected to pay R33 000 per month. They undertook to raise the matter with the valuations department as it might be related to the manner in which the usage has been depicted on the valuation roll.

Update: October 2018

There is no further progress as the valuation department is currently considering their submission.

6. CALANDRA TRADING 592 CC

This debt is in respect of rates and services for a property in Alton. The matter was handed over to Council's attorneys for collection.

Update: October 2018

The legal process is ongoing.

7. RIVER ROCK INVESTMENTS (PTY) LTD (2 Accounts)

The 2 accounts for River Rock Investments accounts relates to:

- An account for rates that are levied in respect of the Caravan Park while the contract provides that the rental includes the rates.
- An account for rental in respect of the area being used by Imvubu Lodge. They are paying a portion on the rental and have declared a dispute in terms of the provisions of the contract several years back and requested that the matter referred for arbitration. River Rock is paying their monthly charges, excluding the disputed charge.
- Additional dispute relates to the cancellation of their lease agreement.

Legal Services advised that on 9 January 2018 that River Rock Investments served the municipality with a summons wherein they are disputing that the lease expired on 31 May 2017 and the lease is on a month-to-month period until such time that the lease is allocated to another party. The contract made provision that the contract must be renewed at least 12 calendar months prior to the termination date and River Rock failed to exercise that option.

Update: October 2018

There is no progress to report.

Government Debt

The top ten (10) Government debtors are as follows:

Government Departments - Summary of ALL Debt									
Government Department	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days - 1 Year	Over 1 Year	Total
National	3 185 415	21 816	1 801 600	5 846	10 082	15 973	49 420	1 945 889	7 036 040
Provincial	6 496 635	505 161	4 514 619	174 161	151 302	164 194	991 027	3 492 930	16 490 029
Totals	9 682 049	526 977	6 316 219	180 007	161 384	180 167	1 040 446	5 438 819	23 526 069
National Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	3 185 400	21 816	841 132	5 846	5 496	9 780	17 352	1 493 544	5 580 366
Rural Development & land Reform	14		960 468		4 586	6 193	32 067	452 346	1 455 674
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days - 1 Year	Over 1 Year	Total
Public Works	79 305	87 328	3 364 981	39 448	34 384	28 584	207 737	1 493 599	5 335 366
Education	2 169 280	391 779	847 819	39 034	100 131	38 192	-49 242	819 897	4 356 890
Human Settlement	79 846	7 325	212 134	6 244	6 701	6 341	112 505	876 059	1 307 157
Department of Transport	230 692						-		230 692
Department of Health	3 864 841	18 729	89 673	89 435	10 087	91 076	720 026	303 375	5 187 243
COGTA	-								-
Department of Social Welfare	69 471								69 471
Department of Agriculture	3 200		11						3 211
SANRAL	-								-0
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Transnet	2 877 795	210 937	219 423	104 342	101 073	100 955	419 173	286 595	4 320 292
ESKOM	181 164	37 460	31 289	36 515	40 049	781	129 607	28 203	485 068
Ingonyama Trust Board	17 612	7 029	1 459 315	7 029	527	528	3 081	3 864 656	5 359 777
Telkom	173 100								173 100
Foskor	39 187 369	5 335 550	920 558						45 443 476
SA Post Office	11 347	2 873	2 926	2 786	2 779	4 594	10 696		38 002
Richards Bay IDZ	0								0

Comments Regarding Government Debt

A high level meeting were held in Durban between all the relevant government departments and UMhlathuze Municipality officials. The relevant government departments are very eager to resolve all the arrear accounts and progress has been made to resolve some of the problematic accounts.

Update October 2018

The process is ongoing.

WRITING OFF OF INDIGENT DEBTS

Background: Indigent Management Policy

The Indigent Policy is now a separate Policy. (DMS 1158109) Previously, provision was made for the Indigent in the Credit Control & Debt Collection Policy.

Customers can apply at any of the offices of Council's Finance Department. Officials from the Finance Department – Customer Relations Section will assist with the completion of the document where necessary.

The application must be supported by the following:

- Copy of Municipal account
- Copy of ID
- Confirmation of Pension status – if applicable
- Copy of Proof of Income
- Affidavit in support of any matter above where needed
- Copy of Death Certificate, if owner is deceased
- Letter of Authority for Beneficiary appointed to deal with estate

Council's Indigent Management Policy (DMS 1158109) provides as follows in clause 10:

10.4 Arrears of indigent household

Directly after the registration of the household qualifying as indigent, the debt collection actions to recover the total outstanding amount will be suspended.

If the indigent customer is unable to pay the required amounts in respect of tampering and/or services consumed illegally, a minimum period of 1 year without electricity will apply for each transgression

This total outstanding to Council in respect of the indigent household's municipal account will then immediately be written off for successful applicants and reported on to Council on a quarterly basis.

The total debt of **R 952 024.06** in respect of Indigent households were written off during the last quarter as detailed below :

Debt. no	Name	C/fwd	Debt. no	Name	C/fwd
260231	MR S G ZULU	62 242,72	190111	ESTATE LATE SHANDU G T	5 857,49
214203	MR B R MKHWANAZI	56 722,84	202529	ESTATE LATE KHUMALO M	5 679,37
259902	ESTATE LATE ZULU N G	37 704,55	444849	Ms B V MTSHALI	4 774,24
1009398	MR P G MCHUNU	29 473,74	244871	MR N S M LUTHULI	4 612,18
219402	Ms S A GUMEDE	28 144,33	223938	Mrs B B LUTHULI	4 473,43
983054	ESTATE LATE NDLOVU N M	26 481,38	1008884	MR J M MCHUNU	4 067,44
215581	ESTATE LATE S T MAHLANGU	24 802,38	197332	ESTATE LATE MDUNGE M N	4 028,67
525921	Ms H T MTHETHWA	24 168,53	258465	ESTATE LATE NDLOVU NE	2 834,73
990534	ESTATE LATE BENGU M M	21 981,36	1438943	MISS N A ZONDI	3 466,92
2408571	MR P J MLAMBO	21 837,97	1222535	S R SIKHAKHANE	3 465,84
225325	ESTATE LATE THUNGO M E	19 533,80	261147	MR N V Z DLAMINI	3 018,24
1002071	M K ZULU	18 379,04	2413878	C B DLUDLA	3 110,88
1003244	S B SIKALA	18 009,68	1096785	MR Z E MNGOMA	3 090,87
260129	ESTATE LATE MPANZA T M	16 522,33	1937967	Ms O MORELA	3 110,87
268512	S&NC NTOMBELA	16 166,75	989881	S A MAVIMBELA	3 109,92

Debt. no	Name	C/fwd	Debt. no	Name	C/fwd
211570	MR ESTATE LATE NDLAMLENZE J	16 124,73	1777022	G M MNCUBE	2 330,94
223166	Ms ESTATE LATE NTULI X E	15 979,98	357378	MR S S MDLETSHI	2 972,70
424419	Mr/s NL&BR HLATSHWAYO	15 797,31	267950	MR M J NDLOVU	2 901,78
248097	ESTATE LATE BIYELA G M	15 513,20	1166016	MR A A MAGUBANE	2 918,09
223688	Ms H N DUBE	14 564,79	435442	A B MICHAELS	2 847,42
985492	D M MLITHWA	13 479,30	989987	M A BLOSE	2 841,31
1837850	MR M MYAKA	13 409,85	500469	Mr/s CS&AN ZULU	2 780,19
282436	ESTATE LATE VILAKAZI M	13 380,07	1156427	M&JN GOVENDER	2 810,16
2225306	NGWANE NQ,SN & SC	12 370,20	1009327	ESTATE LATE MKIZE G N	2 777,68
189853	MR S J MNYANDU	12 146,00	199121	B SIKHAKHANE	2 728,63
1158826	MR B T HLONGWANE	11 766,21	1950189	S MPIYAKHE	2 475,45
217268	MR J NYAWO	11 478,17	2418259	T Z BIYELA	2 471,12
1016821	V T NGOBESE	11 473,21	1940832	E Z MFEKA	2 246,03
1137030	S C SIMELANE	11 151,09	274347	MR M G MAHLOBO	2 386,52
284970	Ms D R NTULI	10 529,64	1009687	B GUMEDE	2 409,37
285268	ESTATE LATE MHLONGO BW&N	10 440,51	994793	ESTATE LATE NDLOVU G J	2 403,96
213471	ESTATE LATE NGUBANE G R	10 299,89	213841	MR Z PHIRI (DBS)	2 335,13
271554	ESTATE LATE MATABA J M	10 076,27	411586	Mrs G J LANGA	2 297,72
560926	MR M G ZIQUBU	10 023,63	191267	MR T NTOMBELA	2 348,76
1610577	C&J GOVENDER	9 999,61	1454663	SIBIYA P B & NXUMALO G B	2 348,55
274594	ESTATE LATE MGENCE S M	9 977,82	417997	ESTATE LATE MZOLO M J	2 217,80
410335	Mrs I Z JOBE	9 810,55	1478142	Mr/s LW&FF MTHIYANE	2 175,35
219032	MR ESTATE LATE MANGAZI B T	9 543,73	211675	Mr/s A&E BUTHELEZI	2 150,88
271811	M C S FLARRE	9 384,44	215528	ESTATE LATE M D MNYANDU	2 144,38
252086	ESTATE LATE CELE G M	9 155,57	257550	MR N K M NDLOVANA	2 180,33
215172	Mr/s TJ&GM ZULU	8 457,29	989225	ESTATE LATE BIYELA G O	1 955,35
2081301	MR P B SHANDU	8 267,72	261884	Mr/s CZ&VI CALANE	2 052,64
1234185	V S MSWELI	8 081,93	232347	ESTATE LATE KHULU L	2 100,41
201966	MR M GCABASHE	7 992,47	193578	MR M P NKWANYANA	1 946,48
2322420	MR P K DUBE	7 894,22	991217	ESTATE LATE KHUMALO S	1 956,75
200056	MR T T SIMELANE	7 768,95	1949602	MR E B MBATHA	1 940,66
204572	MR G BUTHELEZI	7 726,84	402951	Mr/s T&N MPUNGOSE	1 855,78
987884	ESTATE LATE SIBIYA B T	7 295,31	990598	ESTATE LATE GUMBI D J	1 675,43
195470	ESTATE LATE NHLENYAMA M	5 885,98	1000902	N F HLONGWA	1 668,80
211636	Ms J H MABASO	1 779,21	1219846	Z L MNGADI	1 801,73
285081	Mrs E P MTHEMBU	1 750,09	1227893	Ms F LINDA	641,55
267220	Mrs T A GISHI	1 612,05	192824	Mrs A BIYELA	571,49
199570	ESTATE LATE MTHEHWA V A	1 611,18	1014574	V ESTATE LATE KHUMALO V	464,30
199562	Mrs S E DLANGAMANDLA	1 373,21	995042	T M NGOBESE	456,32
198953	J NGUBANE	1 366,71	1942847	L S NGIDI	448,96
2119153	MR G W MTHETHWA	1 517,06	1907546	ESTATE LATE MSHENGU D P	333,65
135015	V&R ARUMUGAM	1 431,93	1043617	ESTATE LATE DLUDLA S	312,95
997385	D MOSEU M&D & MCHUNU NFM	1 366,71	985929	K THWALA	287,05
990446	ESTATE LATE MKHWANAZI M	1 356,24	889485	G W NCUBE	232,21
1080312	VV&TF HLATSHWAYO	1 309,59	2430489	Mrs S MLONDO	190,51
388217	Mrs B M MGABHI	916,71	1794229	D M DLAMINI	115,86
1608024	V K KHANYILE	908,68	886879	D G MSANE	90,54
2387667	MR S P NDLOVU	6,05	Total		952 024,06

3.9 Employee Debt / Councillor Debt

At a previous Financial Services Portfolio Committee meeting, Councillors requested that Official's and Councillor's debt be submitted to Council.

Employee debt amounts to R232 910,41 as per **Annexure AB - DMS 1312221**.

Councillor's debt amounts to R180,58 as per **Annexure AC - DMS 1312221**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES - FOR ENTIRE MUNICIPALITY

The Chief Financial Officer will highlight the important observations on the operating expenditure in this Section, where after Departments will provide specific comment on their own Sections.

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

4.1 Employee related costs

The total employee related expenditure including overtime is within budgetary limits. A concerted effort has been made by the Municipal Manager and the Deputy Municipal Managers to reduce overtime expenditure.

4.1.1 Employee Related Costs - Overtime

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

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	31,516,500	10,505,500	8,716,349	1,789,151	83%
Overtime - Structured	22,729,300	7,576,433	4,268,369	3,308,064	56%
Shift Additional Remuneration	585,800	195,267	823,579	(628,312)	422%
TOTAL	54,831,600	18,277,200	13,808,297	4,468,903	76%

The overtime as per the table above has not exceeded 10% and no further comments are required.

In terms of Council Resolution 10542 dated 1 December 2015, Council resolved that:

"2. the overtime paid as compensation for officials that were required to perform overtime work be condoned by Council."

During the period October 2018 the employees in the following functions worked overtime of more than 10 hours per week which is the maximum that October be allowed in terms of Council's revised overtime policy (**DMS 854249**).

The following table sets out the applicable information:

EMP NO	FUNCTION	FUNCTION DESCRIPTION	SALARY SCALE	OCCUPATION	OVERTIME AMOUNT	1.5 OVERTIME - ACTUAL HOURS WORKED	2.0 OVERTIME - ACTUAL HOURS WORKED	TOTAL HRS	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENC E	NOTES
2015117	FX002001001004	Electricity: Distribution	4	HANDYMAN	6 982.80	33.00	8.00	41.00	40.00	1.00	a
2015058	FX002001001004	Electricity: Distribution	9	ELECTRICIAN SENIOR	15 432.06	34.00	8.00	42.00	40.00	2.00	b
NOTES:											
a	Employee 2015117 worked 7 hrs x 1 Sunday = 7 hours but Sunday time is rounded up to 8 hrs therefore 1 hrs x 1 Sunday = 8 hours plus 33 hours at 1.5 = 41 hours paid BUT only 40 hours worked										
b	Employee 2005058 worked 6 hrs x 1 Sunday = 6 hours but Sunday time is rounded up to 8 hrs therefore 2 hrs x 1 Sunday = 8 hours plus 34 hours at 1.5 = 42 hours paid BUT only 40 hours worked										

4.2 Volume of Transfers

Department	Oct-18			Total Volume Of Virements	Total Volume Of Virements	Total Value of Virements
	Capital	Operating	Value	Capital	Operating	R
City Development	-	2	56,700	3	20	1,749,400
Community and Social Services	4	4	713,200	11	28	9,647,300
Corporate Services	2	7	1,069,100	6	34	17,736,400
Financial Services	1	4	606,000	3	9	3,626,300
Electrical and Energy Supply Services	2	2	135,000	5	7	6,295,900
Engineering Support Services	-	2	120,000	-	7	939,400
Roads and Stormwater	-	-	-	1	4	4,517,600
Water and Sanitation Services	1	3	218,500	3	10	50,055,400
Office of The Municipal Manager	-	2	57,400	-	7	153,200
Total	10	26	2,975,900	32	126	94,720,900

The table indicated above shows the virements received by Financial Services in October 2018 from the various departments.

4.3 Exception reporting - Specific Line items

Security Services - The table below indicates the pro-rata budget and actual expenditure for the line item. The history below gives an indication of the escalation over the last four years:

LINE ITEM	2015/2016	2016/2017	2017/2018	2018/2019	
	YEAR ACTUAL	ACTUAL YTD	INTERIM ACTUAL YTD	PRO-RATA ADOPTED BUDGET	ACTUAL YTD 31/10/2018
	R	R		R	R
SAFEGUARD AND SECURITY	37,924,078	46,469,620	49,720,555	10,295,700	15,859,742

The spending patterns per department are as follows:

DEPARTMENT	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2018 (YTD)	% OF ADOPTED BUDGET OVERSPENT
	R	R	R	R
CITY DEVELOPMENT	1,540,400	513,467	739,564	144%
COMMUNITY SERVICES	11,756,500	3,918,833	5,820,146	149%
CORPORATE SERVICES	3,577,600	1,192,533	3,097,519	260%
FINANCIAL SERVICES	2,526,100	842,033	669,565	80%
ENERGY AND ELECTRICAL SOURCES	5,994,900	1,998,300	1,254,679	63%
INFRASTRUCTURE SERVICES	5,491,600	1,830,533	4,278,269	234%
TOTAL	30,887,100	10,295,700	15,859,742	154%

5. **IN-YEAR BUDGET STATEMENT TABLES**

The following monthly budget statement tables (**DMS 1312224**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEXURE
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
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PART 2 - SUPPORTING DOCUMENTATION

6. **DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 October 2018.

7. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 October 2018.

8. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 October 2018.

9. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 31 October 2018.

10. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 October 2018.

11. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 October 2018:

- ❑ 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**).

12. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1313849 (Annexure AD)**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in detail throughout the report.

LEGAL IMPLICATIONS

The monthly financial report is prepared in terms of Section 71 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003).

COMMENTS OF THE CHIEF FINANCIAL OFFICER

Refer to the Executive summary contained in this report for comments.

COMMENTS OF THE MUNICIPAL MANAGER

The report is noted by the Office of the Municipal Manager.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 October 2018, 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 1312224)**, be noted.