

12965

FINANCIAL REPORTING AS AT 30 NOVEMBER 2018

This report served before the Financial Services Portfolio Committee on 24 January 2019. The report was noted.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 November 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 November 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 November 2018 is included under **Annexures Z and AA (DMS 1317483)**.

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PART 1 - IN-YEAR REPORTING

1. FINANCIAL REPORT FOR THE MONTH OF NOVEMBER 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 November 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 November 2018 (year to date actual) shows a surplus of R50,7 million. This is R37,3 million below the Pro-rata target R88,1 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 R134,8 million (23,34%). 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 1,95:1 (425 767/217 827). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Acceptable, marginally below the Policy target of 2:1.**

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 30 November 2018:

DESCRIPTION	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL NOVEMBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue	3,184,097,300	1,336,469,900	1,300,903,813	97.34%
Less: Capital Revenue				
Capital Grants and Subsidies	(129,223,800)	(43,074,600)	(2,079,219)	4.83%
Gains on Disposal of PPE	-	-	(5,800,726)	0.00%
Adopted Revenue Budget	3,054,873,500	1,293,395,300	1,293,023,868	99.97%
Expenditure	3,016,496,500	1,205,284,300	1,242,305,559	103.07%
Adopted Expenditure Budget	3,016,496,500	1,205,284,300	1,242,305,559	103.07%
Surplus/(Deficit)	38,377,000	88,111,000	50,718,309	

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 1,95:1 (425 767/217 827).

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 GAZETTED FOR NOVEMBER 2018	TOTAL TO BE RECEIVED AS AT 30/06/2019	AMOUNT RECEIVED AS AT 30/11/2018	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/11/2018	% SPENT	COMMENTS
NATIONAL TREASURY											
Equitable Share	135,940,000		-	-	-	326,255,000	135,940,000	190,315,000	135,939,583.33	42%	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		-	-	-	104,604,000	30,000,000	74,604,000	33,211,075	32%	This expenditure is as per claims submitted to COGTA
Financial Management Grant	-	2,650,000	-	-	-	2,650,000	2,650,000	-	438,949	17%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG			-	6,000,000	-	16,000,000	-	16,000,000	4,540,694	28%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Programme		1,298,000	-	-	2,335,000	5,189,000	3,633,000	1,556,000	2,852,385	55%	The grant is for the operational expenditure for EPWP
Infrastructure Skills Development Grant	2,300,000		-	-	-	5,000,000	2,300,000	2,700,000	2,012,147	40%	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	-	6,000,000	2,000,000	4,000,000	2,930,117	49%	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	2,335,000	465,698,000	176,523,000	289,175,000	181,924,950	39%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2018	AMOUNT GAZETTED FOR AUGUST 2018	AMOUNT GAZETTED FOR SEPTEMBER 2018	AMOUNT GAZETTED FOR OCTOBER 2018	AMOUNT GAZETTED FOR NOVEMBER 2017	TOTAL TO BE RECEIVED AS AT 30/06/2019	AMOUNT RECEIVED AS AT 30/11/2018	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/11/2018	% SPENT	COMMENTS
PROVINCIAL TREASURY											
Provincialisation of Libraries	-	-	8,275,000	-	-	8,275,000	8,275,000	-	9,905,211	120%	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	-	-	1,576,000	1,576,000	-	489,809	31%	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	-	-	2,213,000	896,166	1,316,834	5,164,798	233%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	192,000	-	-	192,000	192,000	-	1,870,680	974%	Expenditure shown is the total operating cost of the Museum.
Sports and Recreation-Operational	-	-	58,000			58,000	-	58,000	-	0%	Sports and Recreation - Operational
Sports and Recreation-Capital	-	-	7,850,000			7,850,000	2,616,500	5,233,500	1,399,385	18%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
TOTAL PROVINCIAL TREASURY GRANTS	-	-	20,164,000	-	-	20,164,000	-	20,164,000	18,829,883	93%	
TOTAL GRANTS AND SUBSIDIES	170,240,000	3,948,000	20,164,000	8,000,000	2,335,000	485,862,000	176,523,000	309,339,000	200,754,833	41%	

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 November 2018:

FUNCTION	ADOPTED BUDGET 2018/2019	ROLL-OVERS 2017/2018	VIREMENTS	DRAFT ADJUSTED BUDGET	ACTUAL NOVEMBER 2018 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	R	%
Finance and Administration	102,236,000	21,607,800	(5,237,900)	118,605,900	6,011,043	5.07%
Community and Social Services	54,821,300	7,125,900	(3,059,300)	58,887,900	14,296,811	24.28%
Energy Sources	85,472,000	10,640,500	(100,000)	96,012,500	19,662,616	20.48%
Environmental Protection	200,000	38,500	-	238,500	-	0.00%
Planning and Development	3,952,500	1,242,200	(414,400)	4,780,300	234,301	4.90%
Public Safety	559,000	-	(60,000)	499,000	96,315	19.30%
Road Transport	133,723,200	4,444,200	9,831,600	147,999,000	40,876,061	27.62%
Sport and Recreation	25,600,400	1,916,600	-	27,517,000	2,314,616	8.41%
Waste Management	1,700,000	1,325,200	-	3,025,200	771,522	25.50%
Waste Water Management	48,123,200	1,292,000	-	49,415,200	28,688,844	58.06%
Water	68,773,200	2,756,800	(960,000)	70,570,000	21,849,905	30.96%
	525,160,800	52,389,700	-	577,550,500	134,802,034	23.34%

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 NOVEMBER 2018 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	%
Borrowing	310,000,000	-	310,000,000	67,519,403	21.78%
Capital Replacement Reserve	85,937,000	52,389,700	138,326,700	29,411,430	21.26%
MIG	99,373,800	-	99,373,800	30,400,392	30.59%
Government Grants - National	22,000,000	-	22,000,000	7,470,811	33.96%
Government Grants - Provincial	7,850,000	-	7,850,000	-	0.00%
TOTAL	525,160,800	52,389,700	577,550,500	134,802,036	23.34%

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 November 2018:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL NOVEMBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	812,123,200	328,236,400	306,270,879	93.31%
Remuneration of Councillors	31,880,800	12,090,000	12,153,038	100.52%
Debt Impairment	26,512,500	11,047,000	11,047,000	100.00%
Depreciation and asset impairment	376,066,000	156,701,000	156,700,168	100.00%
Finance Charges	67,884,000	28,285,000	28,285,000	100.00%
Bulk Purchases - Electricity	897,363,700	403,506,700	390,169,000	96.69%
Bulk Purchases - Water	103,581,500	42,110,600	48,377,213	114.88%
Other Materials	114,232,700	42,076,800	64,210,490	152.60%
Contracted Services	312,731,000	77,055,100	130,724,592	169.65%
Transfers and grants	12,533,600	5,594,400	8,929,787	159.62%
Other Expenditure	261,587,500	98,581,300	85,438,392	86.67%
TOTAL	3,016,496,500	1,205,284,300	1,242,305,559	103.07%

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 NOVEMBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT	% ADOPTED BUDGET SPENT
	R	R	R	%	%
Materials for Fleet Maintenance	8,225,100	3,043,300	5,098,927	167.55%	61.99%
Materials for Maintenance on Rural Roads	18,419,400	6,815,200	12,608,163	185.00%	68.45%

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 NOVEMBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT	% ADOPTED BUDGET SPENT
	R	R	R	%	%
Outsourced Services:Sewerage Services	87,353,800	16,597,200	39,360,757	237.15%	45.06%
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	20,935,263	356.74%	67.78%
Consultants and Professional Services: Business and Advisory: Project Management - ERP Project Managers	5,200,000	988,000	8,041,875	813.95%	154.65%
Contractors: Maintenance of Buildings and Facilities - Telemetry	6,523,500	1,239,500	4,146,157	334.50%	63.56%

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 Management	135,467
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
Last Dance Festival	1,000,000
All Wards-Ingoma Competition	29,000
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
Umdlathuze Music Festival	100,000
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)	561,672
Economic Development programmes	260,870
Downstream Aluminium Centre For Technology	188,000
uMhlathuze Tourism Organisation	116,946
Bursaries (Non-Employee) – children of employees	100,305
Richards Bay SPCA & Empangeni SPCA	420,000
	8,929,787

71% 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 NOVEMBER 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	474,453,400	220,446,400	223,079,476	101.19%
Service Charges – Electricity revenue	1,579,530,100	668,357,900	632,171,421	94.59%
Service Charges – Water revenue	337,842,300	138,268,100	171,871,092	124.30%
Service Charges – Refuse revenue	80,371,500	33,607,800	44,366,561	132.01%
Service Charges – Sanitation revenue	99,625,200	39,858,200	41,730,178	104.70%
Rental of facilities and equipment	8,448,800	3,186,300	2,888,062	90.64%
Interest earned – external investments	55,000,000	11,494,200	16,137,797	140.40%
Interest earned – outstanding debtors	3,397,900	1,250,300	1,539,240	123.11%
Fines	4,087,300	1,331,100	2,317,249	174.09%
Licences and permits	3,807,500	1,492,300	1,573,568	105.45%
Agency services	7,796,500	3,267,200	2,627,498	80.42%
Operating Grants and Subsidies	356,638,300	149,974,900	148,618,799	99.10%
Capital Grants and Subsidies	129,223,800	43,074,600	2,079,219	4.83%
Gains on Disposal of PPE	-	-	5,800,726	0.00%
Other Revenue	43,874,700	20,860,600	4,102,927	19.67%
TOTAL REVENUE	3,184,097,300	1,336,469,900	1,300,903,813	97.34%
Less: Capital Revenue				
Gains on Disposal of PPE	-	-	(5,800,726)	0.00%
Capital Grants and Subsidies	(129,223,800)	(43,074,600)	(2,079,219)	4.83%
TOTAL OPERATING REVENUE	3,054,873,500	1,293,395,300	1,293,023,868	99.97%

The above table represents operating revenue per category as at 30 November 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 30 NOVEMBER 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)	72	142	(70)
Finance and Administration	549,274	39,114	510,160	246,180	6,102	240,078
Community and Social Services	20,302	92,392	(72,090)	9,722	39,915	(30,193)
Sport and Recreation	20,464	161,009	(140,545)	1,765	61,657	(59,892)
Public Safety	1,102	71,238	(70,136)	305	30,321	(30,016)
Housing	3,804	17,810	(14,006)	687	7,664	(6,977)
Environmental Protection	1,009	11,050	(10,041)	-	3,785	(3,785)
Planning and Development	18,676	91,739	(73,063)	5,220	36,459	(31,239)
Internal Audit	-	44	(44)	-	2,271	(2,271)
Road Transport	31,850	280,003	(248,153)	5,165	113,723	(108,558)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	-	48,469	(48,469)	-	21,134	(21,134)
Other	8,700	5,966	2,734	2	1,796	(1,794)
Total Rates and General Services	655,372	840,677	(185,305)	269,118	324,969	(55,851)
Airport	736	115	621	-	13	(13)
Trading Services						
Electricity	1,596,982	1,292,648	304,334	635,391	542,192	93,199
Water	491,501	462,737	28,764	194,436	199,656	(5,220)
Clarified Water	27,219	15,216	12,003	26,394	8,551	17,843
Sewerage	275,326	240,597	34,729	96,130	91,111	5,019
Refuse Removal	145,652	164,506	(18,854)	71,555	75,812	(4,257)
Total Trading Services	2,536,680	2,175,704	360,976	1,023,906	917,322	106,584
Total Service Category	3,192,788	3,016,496	176,292	1,293,024	1,242,304	50,720

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 **only Electricity, Clarified Water and Sewerage** are yielding surpluses. **Water is yielding a loss although it based on inflated drought tariffs and 40% of equitable share was 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	8,268,774	206,751	465,111	11,503,567	20,444,203
Business	236,354,459	18,230,757	16,663,884	55,242,561	326,491,661
Households	56,043,495	5,526,380	4,624,477	112,582,901	178,777,253
Other	2,621,901	261,416	278,032	7,471,139	10,632,488
Total	303,288,629	24,225,304	22,031,504	186,800,168	536,345,605
%	56.55%	4.52%	4.11%	34.83%	

FINANCIAL REPORTING ON INCOME / DEBT

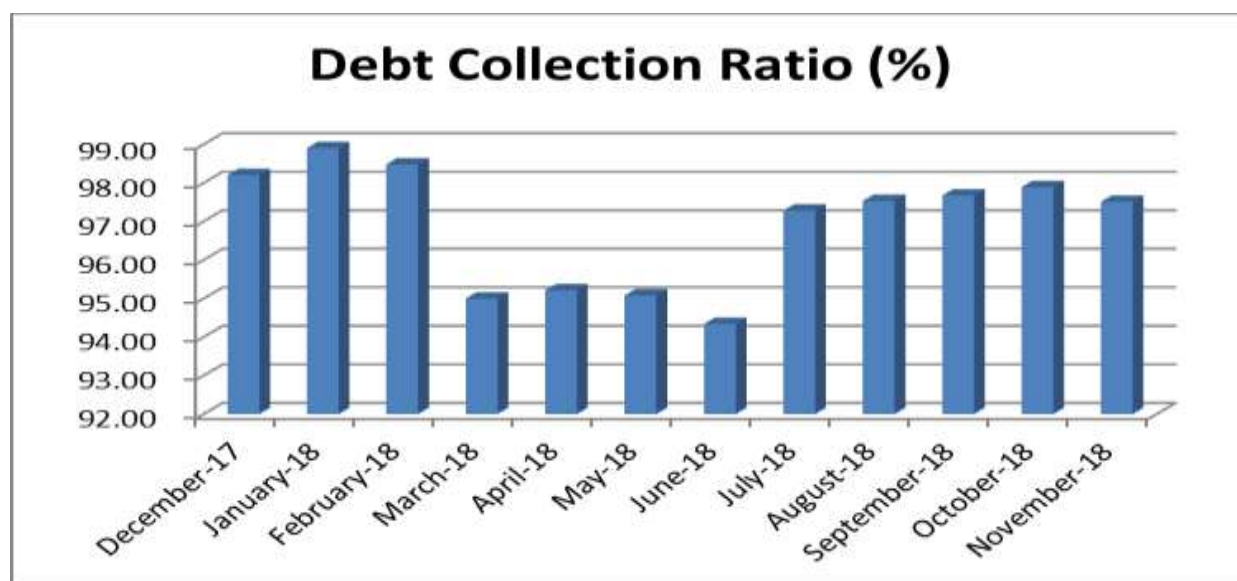
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 (%)
November-18	97.51
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



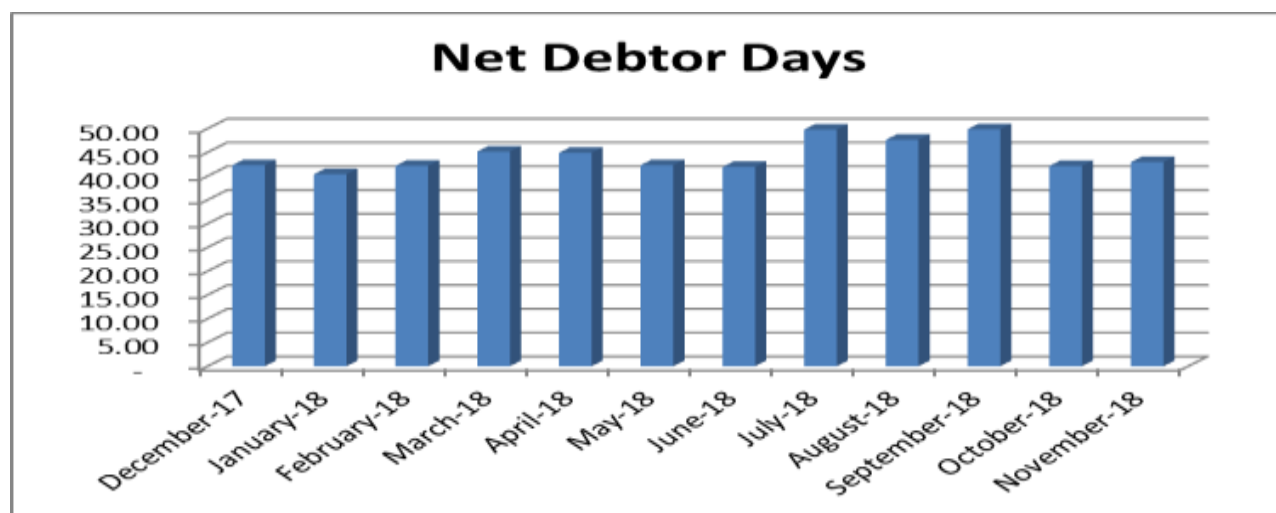
➤ **Net Debtors Days**

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

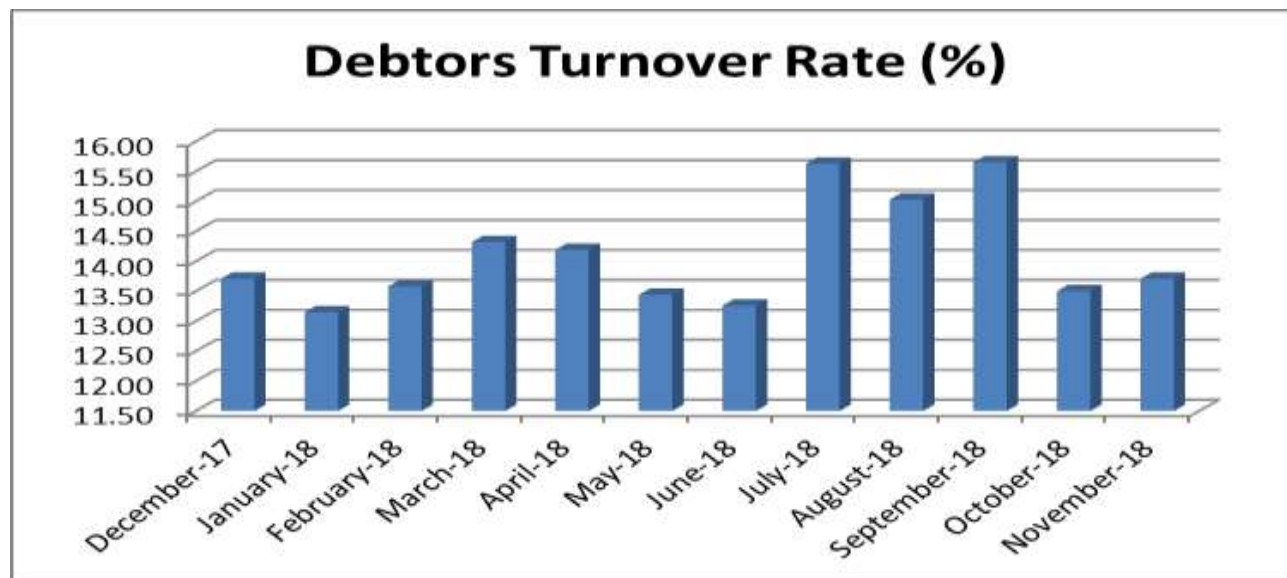
Month	Net Debtor Days
November-18	42.95
October-18	42.12
September-18	49.86
August-18	47.63
July-18	49.79
June-18	41.92
May-18	42.30
April-18	44.89
March-18	45.17
February-18	42.17
January-18	40.40
December-17	42.28



Debtor's Turnover Rate

The norm is to be below 20%:

Month	Debtors Turnover Rate (%)
November-18	13.71
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



Top Ten Business Debts

Debtor No	Name	91 Days +	Total
1854904	BASFOUR 3721 (PTY) LTD	22 377 589.88	22 377 589.88
2289941	PANDA PETROLEUMS	4 997 425.16	5 001 736.68
2247701	BEST CUT MEAT (PTY) LTD	2 949 995.66	3 546 703.22
416383	RIVER ROCK INVEST (PTY) LTD	2 318 847.76	2 571 477.48
392020	RIVER ROCK INVEST (PTY) LTD	1 226 763.68	2 169 538.85
568393	FOSKOR (PTY) LTD	920 557.71	11 768 374.70
2368872	CADRE PROPERTIES PTY LTD	755 995.44	900 345.04
1592230	CALANDRA TRADING 592 CC	558 035.80	800 709.97
1317138	KING CETSWAYO DISTRICT MUNICIPALITY	524 153.37	657 774.88
1632348	KING CETSWAYO DISTRICT MUNICIPALITY	502 758.74	2 194 168.67
		37 132 123.20	51 988 419.37

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: November 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 Deputy Municipal Manager: 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: November 2018

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

3. BEST CUT MEAT (PTY) LTD

The account relates to an electricity and 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 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. 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.

Update: November 2018

The business rescue practitioner is now proceeding with the processes for the approval of the sale transaction.

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

The two (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, River Rock Investments served the municipality with 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: November 2018

There is no progress to report.

5. FOSKOR (PTY) LTD

The account is in respect of water charges that were back-charged due to the incorrect application of the tariffs. Foskor is paying the account off in instalments.

6. 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 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: November 2018

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

7. 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: November 2018

The legal process is ongoing.

8. KING CETSWHAYO DISTRICT MUNICIPALITY (KCDM) (2 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: November 2018

The matter is ongoing.

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	3 127 140	3 993	21 918	1 757 698	5 846	9 982	64 667	1 940 661	6 931 906
Provincial	5 484 070	265 875	498 184	3 849 226	175 068	152 434	855 502	4 336 122	15 616 480
Totals	8 611 210	269 868	520 102	5 606 924	180 914	162 416	920 169	6 276 783	22 548 386
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	3 127 111	3 993	21 918	797 230	5 846	5 396	26 809	1 487 913	5 476 218
Rural Development & Land Re	28			960 468		4 586	37 858	452 748	1 455 688
Totals	3 127 140	3 993	21 918	1 757 698	5 846	9 982	64 667	1 940 661	6 931 906
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	82 652	36 370	87 328	2 705 887	40 579	35 515	214 968	2 100 081	5 303 380
Education	1 301 567	32 896	398 161	850 036	38 810	100 131	- 25 033	846 757	3 538 325
Human Settlement	68 141	25 132	7 325	203 618	6 244	6 701	110 142	883 759	1 311 062
Department of Transport	52 951	130 947					-		183 897
Department of Health	3 866 923	40 531	10 370	89 673	89 435	10 087	555 425	505 525	5 167 968
CO-GTA	-								-
Department of Social Welfare	108 441						-		108 441
Department of Agriculture	3 395			11			-		3 407
SANRAL	-		-	-			-	-	-

Comments Regarding Government Debt

A high level meetings 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 November 2018

Government officials advised that they currently have budget constraints and cannot pay until the new budget is approved.

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 R878 662,12 as per **Annexure AB - DMS 1317483**.

Councillor's debt amounts to R147,96 as per **Annexure AC - DMS 1317483**.

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, 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

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 2017/2018	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL NOVEMBER 2018 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	31,516,500	13,131,875	11,210,498	1,921,377	85%
Overtime - Structured	22,729,300	9,470,542	5,734,380	3,736,162	61%
Shift Additional Remuneration	585,800	244,083	1,075,269	(831,186)	441%
TOTAL	54,831,600	22,846,500	18,020,147	4,826,353	79%

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 November 2018 the employees in the following functions worked overtime of more than 10 hours per week which is the maximum that November 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	BASIC	ANNUAL	HOURLY RATE	OVERTIME AMOUNT	1.5 OVERTIME ACTUAL HOURS WORKED	2.0 OVERTIME ACTUAL HOURS WORKED	TOTAL HRS	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NOTES
2016082	FX015001002003	Sewerage - Sewerage Network	11	SUPERINTENDENT	29,116.03	349,392.36	174.70	15,810.35	39.00	16.00	55.00	50.00	5.00	a
48157	FX015001002003	Sewerage - Sewerage Network	9	PLUMBER/SENIOR	24,494.30	293,931.60	146.97	12,786.60	42.00	12.00	54.00	50.00	4.00	b
2005017	FX015001002003	Sewerage - Sewerage Network	11	SUPERINTENDENT	28,405.85	340,870.20	170.44	15,169.16	38.00	16.00	54.00	50.00	4.00	c
2015112	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	9,350.49	112,205.88	56.10	4,880.70	42.00	12.00	54.00	50.00	4.00	d
2016133	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	9,122.41	109,468.92	54.73	4,762.38	42.00	12.00	54.00	50.00	4.00	e
44354	FX002001001001	Electricity: Marketing and Customer relations	5	ARTISAN ASSISTANT GR I	15,321.88	183,862.56	91.93	7,676.38	45.00	8.00	53.00	50.00	3.00	f
2015058	FX002001001004	Electricity: Distribution	9	ELECTRICIAN SENIOR	24,494.30	293,931.60	146.97	12,272.22	45.00	8.00	53.00	50.00	3.00	g
2016094	FX002001001004	Electricity: Distribution	9	ELECTRICIAN SENIOR	20,103.60	241,243.20	120.62	10,071.77	45.00	8.00	53.00	50.00	3.00	h
2017040	FX002001001004	Electricity: Distribution	2	GENERAL WORKER GR II	8,944.46	107,333.52	53.67	4,481.67	45.00	8.00	53.00	50.00	3.00	i
43380	FX002001002002	Street Lighting and Signal Systems: Process Control	4	HANDYMAN	12,268.64	147,223.68	73.61	6,146.66	45.00	8.00	53.00	50.00	3.00	j
100312	FX015001002003	Sewerage - Sewerage Network	9	PLUMBER/SENIOR	19,134.94	229,619.28	114.81	9,586.86	45.00	8.00	53.00	50.00	3.00	k
2007128	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	9,823.86	117,886.32	58.94	4,921.49	45.00	8.00	53.00	50.00	3.00	l
2008098	FX015001002003	Sewerage - Sewerage Network	6	OPERATOR GR I	17,335.27	208,023.24	104.01	8,685.06	45.00	8.00	53.00	50.00	3.00	m
2009012	FX015001002003	Sewerage - Sewerage Network	4	HANDYMAN	10,579.22	126,950.64	63.48	5,300.58	45.00	8.00	53.00	50.00	3.00	n
2009013	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	9,823.86	117,886.32	58.94	4,921.49	45.00	8.00	53.00	50.00	3.00	o
2015114	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	9,350.49	112,205.88	56.10	4,908.75	37.00	16.00	53.00	50.00	3.00	p
2016035	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	9,122.41	109,468.92	54.73	4,844.49	35.00	18.00	53.00	50.00	3.00	q
NOTES:														
a	Employee 2016082 worked 5 hrs x 1 Sunday + 6 hrs x 1 Sunday = 11 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday + 2 hrs x 1 Sunday = 16 hours plus 39 hours at 1.5 = 55 hours paid BUT only 50 hours worked													
b	Employee 48157 worked 3 hrs x 1 Sunday + 5 hrs x 1 Sunday = 8 hours but Sunday time is rounded up to 8 hrs therefore 1 hrs x 1 Sunday + 3 hrs x 1 Sunday = 12 hours plus 42 hours at 1.5 = 54 hours paid BUT only 50 hours worked													
c	Employee 2015017 worked 5 hrs x 1 Sunday + 7 hrs x 1 Sunday = 12 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday + 1 hrs x 1 Sunday = 16 hours plus 38 hours at 1.5 = 54 hours paid BUT only 50 hours worked													
d	Employee 2015112 worked 3 hrs x 1 Sunday + 5 hrs x 1 Sunday = 8 hours but Sunday time is rounded up to 8 hrs therefore 1 hrs x 1 Sunday + 3 hrs x 1 Sunday = 12 hours plus 42 hours at 1.5 = 54 hours paid BUT only 50 hours worked													
e	Employee 2016133 worked 3 hrs x 1 Sunday + 5 hrs x 1 Sunday = 8 hours but Sunday time is rounded up to 8 hrs therefore 1 hrs x 1 Sunday + 3 hrs x 1 Sunday = 12 hours plus 42 hours at 1.5 = 54 hours paid BUT only 50 hours worked													
f	Employee 44354 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
g	Employee 2015058 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
h	Employee 2016094 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
i	Employee 2017040 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
j	Employee 43380 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
k	Employee 100312 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
l	Employee 2007128 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
m	Employee 2008098 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
n	Employee 2009012 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
o	Employee 2009013 worked 5 hrs x 1 Sunday = 5 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 8 hours plus 45 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
p	Employee 2015114 worked 5 hrs x 1 Sunday + 8 hrs x 1 Sunday = 13 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 16 hours plus 37 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
q	Employee 2016035 worked 5 hrs x 1 Sunday + 10 hrs x 1 Sunday = 15 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday = 18 hours plus 35 hours at 1.5 = 53 hours paid BUT only 50 hours worked													

NOTES:

OFFICIAL FINAL VERSION

4.2 Volume of Transfers

Department	Nov-18			Total Volume Of Virements	Total Volume Of Virements	Total Value of Virements
	Capital	Operating	Value	Capital	Operating	R
City Development	-	2	624,500	3	22	2,373,900
Community and Social Services	1	9	3,532,100	12	37	13,179,400
Corporate Services	4	8	853,000	10	42	18,589,400
Financial Services	1	3	847,000	4	12	4,473,300
Electrical and Energy Supply Services	-	8	223,600	5	15	6,519,500
Engineering Support Services	-	1	300,000	-	8	1,239,400
Roads and Stormwater	-	-	-	1	4	4,517,600
Water and Sanitation Services	1	7	2,054,000	4	17	52,109,400
Office of The Municipal Manager	-	4	233,200	-	11	386,400
Total	7	42	8,667,400	39	168	103,388,300

The table indicated above shows the virements received by Financial Services in November 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:

	2015/2016	2016/2017	2017/2018	2018/2019	
LINE ITEM	YEAR ACTUAL	ACTUAL YTD	INTERIM ACTUAL YTD	PRO-RATA ADOPTED BUDGET	ACTUAL YTD 30/11/2018
	R	R		R	R
SAFEGUARD AND SECURITY	37,924,078	46,469,620	49,720,555	12,869,625	21,365,655

The spending patterns per department are as follows:

DEPARTMENT	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL NOVEMBER 2018 (YTD)	% OF ADOPTED BUDGET OVERSPENT
	R	R	R	R
CITY DEVELOPMENT	1,540,400	641,833	986,086	154%
COMMUNITY SERVICES	11,756,500	4,898,542	7,588,333	155%
CORPORATE SERVICES	3,577,600	1,490,667	3,860,760	259%
FINANCIAL SERVICES	2,526,100	1,052,542	1,139,717	108%
ENERGY AND ELECTRICAL SOURCES	5,994,900	2,497,875	1,637,158	66%
INFRASTRUCTURE SERVICES	5,491,600	2,288,167	6,153,601	269%
TOTAL	30,887,100	12,869,625	21,365,655	166%

5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1317482**) 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
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

6. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 30 November 2018.

7. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 November 2018.

8. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 30 November 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 30 November 2018.

10. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 November 2018.

11. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 30 November 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 1321525 (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 30 November 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 1317482)**, be noted.