

13337

FINANCIAL REPORTING AS AT 31 MAY 2019

This report is submitted simultaneously to the Financial Services Portfolio Committee, Executive Committee and Council.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 May 2019 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

DISCUSSION

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 took effect from 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 Mayor of a municipality in terms of Section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of May 2019 is included under **Annexures AA and AB (DMS 1347659)**.

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PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF MAY 2019

In terms of the Budget Regulations, Part 1 in-year reporting, the Mayor is required to provide a report / comments on:

- “(a) a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;

The Mayor has considered the Section 71 report for the month of May 2019, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in February 2019. 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 May 2019 (year to date actual) shows a surplus of R48,6 million. The surplus for the month is mainly as a result of under spending in certain operational projects, where at year end Departments fast track their outstanding tasks for the year. The performance in this area is **Acceptable**.

Capital Budget

Council is in the fourth quarter of the financial year and capital expenditure is at R399,7 million (67,55%). This is based on the Adjusted Capital Budget of R586 million. Expenditure is expected to rise as we approach the end of the year. The performance in this area although is **not Acceptable proportionately**. 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 2,09:1 (459 015/220 294). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area **is acceptable as it is above the policy target of 2:1, it must be noted that the Chief Financial Officer has as yet not taken up the R310 million borrowing for this year. As a result the R203 million capex spent from borrowings is (see page 8 – source of capex funding) effectively coming out of working capital.**

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 May 2019:

DESCRIPTION	ADJUSTED BUDGET 2018/2019	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2019 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	2,990,430,900	2,715,731,576	2,680,127,336	98.69%
Expenditure	3,049,388,800	2,691,860,538	2,631,560,792	97.76%
Surplus/(Deficit) (Excluding Capital Grants)	(58,957,900)	23,871,038	48,566,544	

3.2 Cash Flow Situation

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2,09:1 (459 928/220 294). The Chief Financial Officer has as yet not taken up the R310 million borrowing for this year. As a result of the R203 million capex spent from borrowings is effectively coming out of working capital. The tender for the borrowing process will be finalised before 30 June 2019.

3.3 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR MARCH 2019	AMOUNT RECEIVED FOR QUARTER ENDED MARCH 2019	AMOUNT GAZETTED FOR APRIL 2019	AMOUNT GAZETTED FOR MAY 2019	AMOUNT GAZETTED FOR JUNE 2019	TOTAL TO BE RECEIVED AS AT 30/06/2019	AMOUNT RECEIVED AS AT 31/05/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/05/2019	% SPENT	COMMENTS
NATIONAL TREASURY											
Equitable Share	81 563 000	81 563 000	-	-	-	326 255 000	326 255 000	-	299 067 083.33	92%	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	29 604 000	34 604 000	-	-	-	104 604 000	104 604 000	-	72 417 906	69%	This expenditure is as per claims submitted to COGTA.
Financial Management Grant	-		-	-	-	2 650 000	2 650 000	-	2 219 254	84%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG	10 000 000		-	-	-	16 000 000	-	16 000 000	-	0%	This grant has been withheld and no transfers will take place in the 2018/19 financial year. Expenditure amounting to R 5 779 492 will need to be funded from own funding.
Extended Public Works Programme	-		-	-	-	5 189 000	5 189 000	-	5 107 812	98%	The grant is for the operational expenditure for EPWP
Municipal System Improvement Grant	1 055 000					1 055 000	1 055 000	-	255 000	24%	The grant was received in March from Dora amended Gazette. The grant is to support the Re-demarcated municipalities on transition matters
Infrastructure Skills Development Grant	-		-	-	-	2 300 000	2 300 000	-	2 300 000	100%	uMhlathuze Municipality is no longer a beneficiary of this National Treasury grant as from the 1st February 2019.
Energy Efficiency and Demand Side management Grant	-		-	-	-	6 000 000	6 000 000	-	5 724 269	95%	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	122 222 000		-	-	-	464 053 000	448 053 000	16 000 000	387 091 323	83%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR MARCH 2018	AMOUNT RECEIVED FOR QUARTER ENDED MARCH 2019	AMOUNT GAZETTED FOR APRIL 2018	AMOUNT GAZETTED FOR MAY 2018	AMOUNT GAZETTED FOR JUNE 2018	TOTAL TO BE RECEIVED AS AT 30/06/2019	AMOUNT RECEIVED AS AT 31/05/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/05/2019	% SPENT	COMMENTS
PROVINCIAL TREASURY											
Provincialisation of Libraries	-		-	-	-	8 275 000	8 275 000	-	21 773 415	263%	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	-	1 072 235	68%	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	-		-	-	-	3 447 074	3 447 074	-	12 190 566	354%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-		-	-	-	192 000	192 000	-	3 956 717	2061%	Expenditure shown is the total operating cost of the Museum incurred to date.
Sports and Recreation-Capital						7 850 000	5 283 000	2 567 000	1 399 385	18%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
TOTAL PROVINCIAL TREASURY GRANTS	-		-	-	-	21 340 074	18 773 074	2 567 000	40 392 318	189%	
TOTAL GRANTS AND SUBSIDIES	122 222 000	-	-	-	-	485 393 074	466 826 074	18 567 000	427 483 642	88%	

At the request of Councillors a breakdown of Provincial Grant expenditure as per the tables below has been provided.

Provincialisation of Libraries

LINE ITEM	ADJUSTED BUDGET 2018/19	ACTUAL YTD 31/05/2019 (INCL COMMITMENTS)
	R	R
Salaries and Allowances	13 779 200	11 771 572
Municipal Service Charges (Water, Electricity, Sanitation and Refuse removal)	696 700	478 653
Departmental Charges	4 596 400	4 264 547
Operating Cost -		
Operating Cost - Cleaning Contractors	601 800	459 405
Operating Cost - Fuel and Oil	7 300	2 428
Operating Cost - Inventory consumed	97 100	98 266
Operating Cost - Short term insurance	79 400	66 323
Operating Cost - Security	2 114 100	2 072 782
Operating Cost - Cash in Transit	145 000	138 995
Operating Cost - Hire Charges	40 900	28 404
Operating Cost - Subsistence and Travel	23 100	12 282
Operating Cost - Telephone	49 400	61 881
Operating Cost - Other Expenditure	93 700	33 137
Repairs and Maintenance	889 700	663 063
Depreciation and Finance Charges	1 753 400	1 621 679
TOTAL EXPENDITURE	24 967 200	21 773 415

Museum

LINE ITEM	ADJUSTED BUDGET 2018/19	ACTUAL YTD 31/05/2019 (INCL COMMITMENTS)
	R	R
Salaries and Allowances	1 319 600	1 159 869
Municipal Service Charges (Water, Electricity, Sanitation and Refuse removal)	340 800	344 529
Departmental Charges	1 005 200	1 151 014
Operating Cost - Outsourced Services - Events, Catering and Stage and Sound	391 400	348 210
Operating Cost - Cleaning Contractors	57 400	38 049
Operating Cost - Fuel and Oil	18 400	-
Operating Cost - Inventory consumed	23 600	17 193
Operating Cost - Short term insurance	7 300	6 334
Operating Cost - Security	206 800	195 608
Operating Cost - Subsistence and Travel	50 600	44 801
Operating Cost - Telephone	9 800	20 979
Operating Cost - Other Expenditure	16 400	16 565
Repairs and Maintenance	105 400	62 007
Depreciation and Finance Charges	601 700	551 558
TOTAL EXPENDITURE	4 154 400	3 956 717

Housing Operating Account

LINE ITEM	ADJUSTED BUDGET 2018/19	ACTUAL YTD 31/05/2019 (INCL COMMITMENTS)
	R	R
Salaries and Allowances	10 574 900	9 609 323
Departmental Charges	2 422 600	2 376 379
Operating Cost - Consultancy fees	90 400	20 352
Operating Cost - Fuel and Oil	42 900	64 119
Operating Cost - Subsistence and Travel	54 100	41 922
Operating Cost - Telephone	25 900	51 761
Operating Cost - Inventory consumed	22 700	10 782
Operating Cost - Other Expenditure	16 700	15 927
TOTAL EXPENDITURE	13 250 200	12 190 566

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 May 2019:

FUNCTION	ADJUSTED BUDGET 2018/2019	VIREMENTS	SYSTEM BUDGET	ACTUAL MAY 2019 (YTD)	% OF DRAFT ADJUSTED BUDGET SPENT
	R	R	R	R	%
Finance and Administration	131,075,100	16,258,700	147,333,800	84,066,104	57.06%
Community and Social Services	60,859,800	(179,200)	60,680,600	36,737,114	60.54%
Energy Sources	95,772,500	(13,476,100)	82,296,400	60,822,227	73.91%
Executive and Council	388,700	-	388,700	170,806	43.94%
Environmental Protection	238,500	(7,800)	230,700	221,535	96.03%
Housing	-	6,339,900	6,339,900	-	0.00%
Planning and Development	4,838,000	(2,195,200)	2,642,800	617,745	23.37%
Public Safety	499,000	(50,000)	449,000	331,115	73.74%
Road Transport	142,214,300	(23,122,700)	119,091,600	81,680,584	68.59%
Sport and Recreation	19,133,700	3,470,000	22,603,700	8,834,609	39.08%
Waste Management	3,015,200	405,000	3,420,200	1,405,163	41.08%
Waste Water Management	49,215,200	20,692,100	69,907,300	61,640,667	88.17%
Water	70,710,000	5,608,600	76,318,600	63,163,865	82.76%
	577,960,000	13,743,300	591,703,300	399,691,534	67.55%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2018/2019	ACTUAL MAY 2019 (YTD)	% OF DRAFT ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	310,000,000	203,371,739	65.60%
Capital Replacement Reserve	152,479,500	94,666,706	62.08%
MIG	99,373,800	87,016,146	87.56%
Government Grants - National	22,000,000	12,907,813	58.67%
Government Grants - Provincial	7,850,000	1,729,129	22.03%
TOTAL	591,703,300	399,691,533	67.55%

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 May 2019:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2018/2019	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2019 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	810,017,000	704,390,760	689,831,080	97.93%
Remuneration of Councillors	31,487,700	28,035,926	27,875,630	99.43%
Debt Impairment	29,729,500	27,252,042	27,252,042	100.00%
Depreciation and asset impairment	376,066,000	344,727,167	344,727,170	100.00%
Finance Charges	59,358,500	54,411,958	54,411,958	100.00%
Bulk Purchases - Electricity	871,144,200	770,100,094	775,145,818	100.66%
Bulk Purchases - Water	103,578,200	96,582,443	109,681,104	113.56%
Other Materials	126,546,000	113,249,515	97,299,802	85.92%
Contracted Services	367,296,300	322,453,417	302,600,487	93.84%
Transfers and grants	15,179,100	14,835,300	12,059,510	81.29%
Other Expenditure	258,986,300	215,821,917	190,676,191	88.35%
TOTAL	3,049,388,800	2,691,860,538	2,631,560,792	97.76%

Pro-rata adopted budget

The figures shown in the table above for the Pro-Rata Adopted Budget have been extracted from the 2018/19 Adjusted Budget Tables – Table SB14 - 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 months. It forms a more accurate comparison than the budget divided by 12 months.

It is important to note that the projected expenditure for the remainder of the financial year shows an acceleration in June 2019 mainly due to the higher tariffs charged for Electricity Purchases as well as other annual costs that are due in June of each year. Departmental spending patterns also accelerate.

Employee related costs

The Salary and wage collective agreement for the period 1 July 2018 to 30 June 2021 has been finalised. 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 bears noting 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%

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2018/2019	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2019 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	495,732,400	440,489,377	440,681,916	100.04%
Service Charges – Electricity revenue	1,443,738,600	1,328,738,600	1,271,544,329	95.70%
Service Charges – Water revenue	366,611,700	333,611,700	384,974,497	115.40%
Service Charges – Refuse revenue	84,371,500	74,576,487	77,972,860	104.55%
Service Charges – Sanitation revenue	123,455,200	93,306,525	91,104,278	97.64%
Rental of facilities and equipment	8,598,600	7,345,953	6,549,396	89.16%
Interest earned – external investments	55,000,000	35,719,177	23,529,657	65.87%
Interest earned – outstanding debtors	85,700	76,960	117,256	152.36%
Fines	7,698,200	6,945,282	11,427,101	164.53%
Licences and permits	3,307,500	3,246,922	3,216,732	99.07%
Agency services	5,796,500	5,594,743	4,168,563	74.51%
Operating Grants and Subsidies	354,985,300	354,985,300	344,089,405	96.93%
Gains on Disposal of PPE	759,300	759,300	1,508,514	198.67%
Other Revenue	40,290,400	30,335,250	19,242,832	63.43%
TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)	2,990,430,900	2,715,731,576	2,680,127,336	98.69%

The above table represents operating revenue per category as at 31 May 2019.

Pro-rata adjusted budget

The figures shown in the table above for the Pro-Rata Adjusted Budget have been extracted from the 2018/19 Adjusted Budget Tables – Table SB14 - 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 months. 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 Panda 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. An amount of R326 million (100% of the total equitable share) was received as at the end of May 2019.

3.7 Surplus and Deficit by Service Category

SERVICES	ADJUSTED BUDGET 2018/2019			ACTUAL AS AT 31 MAY 2019		
	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	32,141	(31,950)	163	15,078	(14,915)
Finance and Administration	571,031	75,945	495,086	483,676	24,722	458,954
Community and Social Services	19,378	94,092	(74,714)	11,827	82,614	(70,787)
Sport and Recreation	21,565	161,514	(139,949)	3,296	138,902	(135,606)
Public Safety	1,002	75,081	(74,079)	607	69,614	(69,007)
Housing	3,858	18,279	(14,421)	1,544	16,826	(15,282)
Environmental Protection	1,009	11,049	(10,040)	667	9,442	(8,775)
Planning and Development	16,047	91,729	(75,682)	12,135	75,861	(63,726)
Internal Audit	-	6,588	(6,588)	-	1,349	(1,349)
Road Transport	29,336	285,220	(255,884)	12,601	245,057	(232,456)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	-	47,615	(47,615)	-	43,882	(43,882)
Other	5	6,009	(6,004)	3	4,758	(4,755)
Total Rates and General Services	663,422	905,262	(241,840)	526,519	728,105	(201,586)
Airport	736	161	575	-	140	(140)
Trading Services						
Electricity	1,461,431	1,269,773	191,658	1,276,299	1,113,802	162,497
Water	518,970	483,725	35,245	469,996	467,267	2,729
Clarified Water	27,220	15,212	12,008	36,356	16,739	19,617
Sewerage	298,226	208,994	89,232	226,923	180,368	46,555
Refuse Removal	149,652	166,260	(16,608)	144,033	125,140	18,893
Total Trading Services	2,455,499	2,143,964	311,535	2,153,607	1,903,316	250,291
Total Service Category	3,119,657	3,049,387	70,270	2,680,126	2,631,561	48,565

The table above sets out the surplus and deficit for each service category. It bears noting 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 100% of equitable share have been received to date.**

As part of Council's Revenue Enhancement Policy approved in August 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 1277516** 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	8,761,761	1,547,284	87,604	10,668,944	21,065,593
Business	227,957,765	4,830,028	5,712,179	64,851,548	303,351,520
Households	57,241,769	6,254,216	7,254,018	128,954,416	199,704,419
Other	3,217,342	524,752	331,759	7,645,815	11,719,668
Total	297,178,637	13,156,280	13,385,560	212,120,723	535,841,200
%	55.46%	2.46%	2.50%	39.59%	

FINANCIAL REPORTING ON INCOME / DEBT

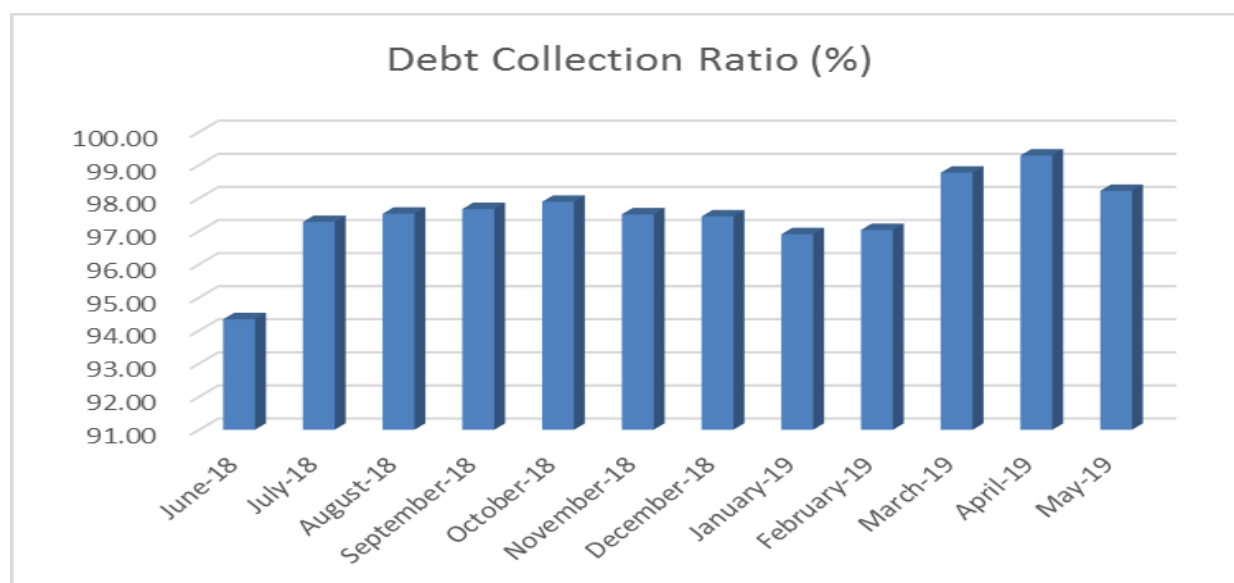
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 (%)
May-19	98.22
April-19	99.29
March-19	98.77
February-19	97.04
January-19	96.91
December-18	97.45
November-18	97.51
October-18	97.89
September-18	97.67
August-18	97.53
July-18	97.28
June-18	94.34



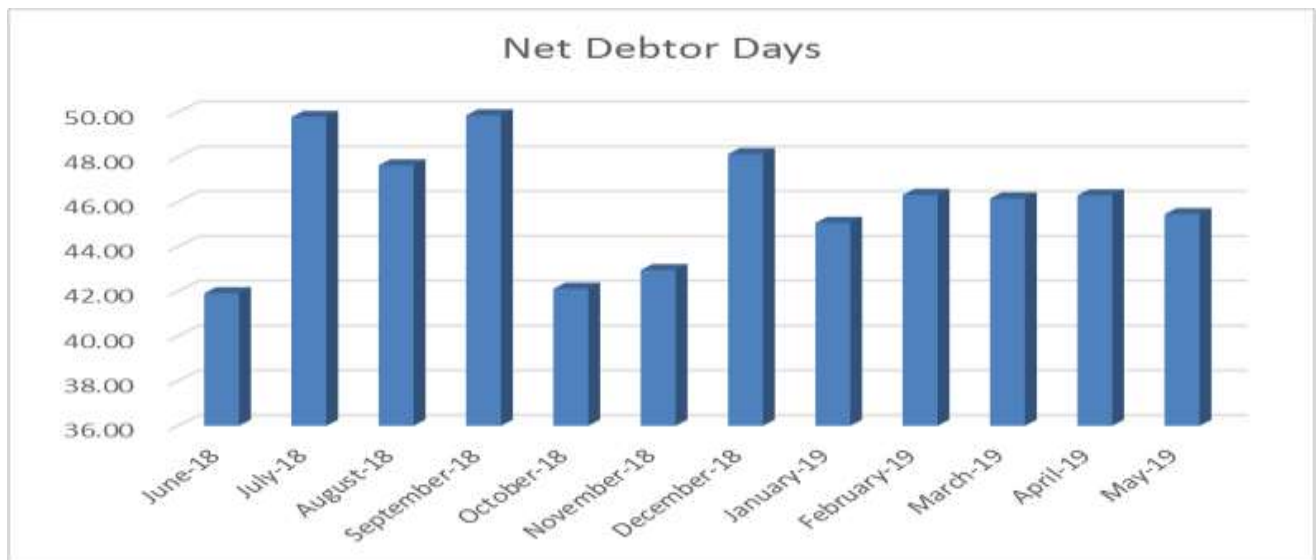
➤ **Net Debtors Days**

This ratio reflects the collection period. The 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.

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

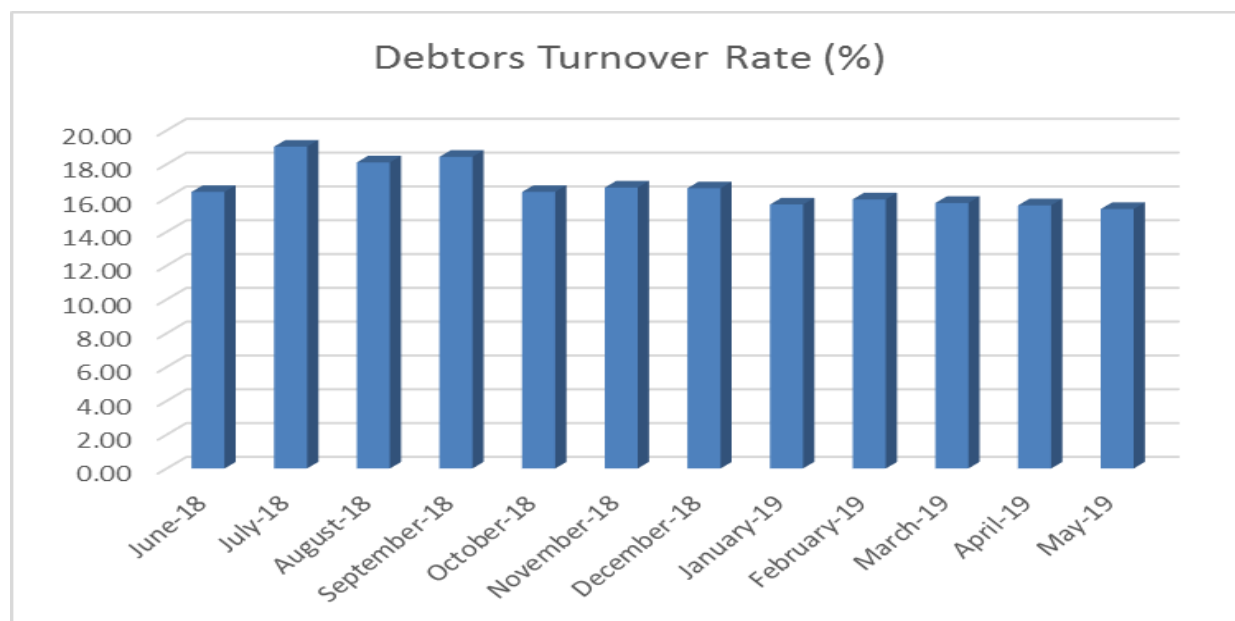
Month	Net Debtor Days
May-19	45.45
April-19	46.29
March-19	46.15
February-19	46.31
January-19	45.06
December-18	48.13
November-18	42.95
October-18	42.12
September-18	49.86
August-18	47.63
July-18	49.79
June-18	41.92



Debtor's Turnover Rate

The norm is to be below 20%:

Month	Debtors Turnover Rate (%)
May-19	15.35
April-19	15.57
March-19	15.71
February-19	15.92
January-19	15.62
December-18	16.58
November-18	16.62
October-18	16.36
September-18	18.44
August-18	18.11
July-18	19.04
June-18	16.36



Top Ten Business Debts

Top 10 Debtors							
Debtor No	Name	Date	0-30 days	31-60 days	61-90 days	91 days +	Grand Total
1854904	BASFOUR 3721 (PTY) LTD	December 2011	-			22,377,589.88	22,377,589.88
2289941	PANDA PETROLEUMS	September 2015	2,204.76	1,102.38	1,102.38	5,003,941.44	5,008,350.96
2247701	BEST CUT MEAT (PTY) LTD	August 2017	192,014.38	73,300.34	73,220.33	3,692,956.36	4,031,491.41
1675831	KING CETSHWYO DISTRICT MUNICIPALITY	March 2018	2,670,828.31	1,350,255.39	1,057,604.54	2,590,885.38	7,669,573.62
416383	KING CETSHWYO DISTRICT MUNICIPALITY	March 2018	126,314.86	63,157.43	63,157.43	2,537,792.34	2,790,422.06
1088329	KING CETSHWYO DISTRICT MUNICIPALITY	March 2018	2,601,223.58	1,302,536.81	1,305,871.84	2,025,075.22	7,234,707.45
392020	RIVER ROCK INVEST (PTY) LTD	June 2009	433,740.87	200,108.04	210,096.03	1,336,072.24	2,180,017.18
551583	KING CETSHWYO DISTRICT MUNICIPALITY	March 2018	1,890,915.43	871,869.61	1,281,135.49	1,193,387.63	5,237,308.16
501543	KING CETSHWYO DISTRICT MUNICIPALITY	March 2018	1,411,722.71	536,590.58	649,800.27	996,492.40	3,594,605.96
1632348	KING CETSHWYO DISTRICT MUNICIPALITY	March 2018	662,646.52	328,216.62	400,513.94	816,855.05	2,208,232.13
TOTAL			9,991,611.42	4,727,137.20	5,042,502.25	42,571,047.94	62,332,298.81

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: May 2019

There are no further progress to report and the matter is ongoing. A separate confidential report will be submitted regarding the details of the legal process and to propose a way forward.

Panda Petroleum

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 has 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 a request from the Legal Section who advised that they will be dealing with the matter. Legal Services (Litigation Sub-section) advised that collection proceedings be proceeded with.

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.

Update: May 2019

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

Best Cut Meat (Pty) Ltd

The account relates to an electricity and water account for Best Cut Factory in Empangeni who is in Business Rescue.

The Business Rescue Practitioner provided his Business Rescue Plan. The business rescue plan was adopted by the majority creditors. 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 be followed if the sale does not go through and the company is then obliged to go into liquidation.

The sale price was not acceptable to all referent creditors and a second auction was held. The second sale was approved and the transfer is in the process.

Update: May 2019

An application has been received for the clearance figures and it is expected that the payment of the settlement amount will be made shortly.

River Rock Investments

There are two (2) accounts for River Rock Investments but only one of these accounts are in the top 10 list this month. The debt 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 utilised 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 be referred for arbitration.
- River Rock are 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 basis until such time that the lease is allocated to another party.

The contract made provision for renewal at least 12 calendar month prior to the termination date and River Rock failed to exercise that option.

Update: May 2019

It has been advised that their application for the re-instatement of the lease at the Imvubu Lodge area was unsuccessful in High Court. The dispute process regarding the lease amount and the rates being charged is proceeding.

King Cetshwayo District Municipality

The account relates to a dispute lodged by KCDM regarding the drought water tariff being charged.

Update: May 2019

The matter is ongoing.

Government Debt

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

Government Departments - Summary of ALL GOVERNMENT DEBT									
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	3,113,480	24,502	28,527	14,095	10,928	8,379	822,797	1,501,273	5,523,981
Rural Development & land Reform	-	-	-	-	-	-	962,742	490,606	1,453,348
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	65,316	29,659	26,208	25,222	34,040	29,360	1,731,892	2,018,614	3,960,313
Human Settlement	65,019	36,271	25,957	24,304	23,831	10,248	176,018	980,155	1,341,804
Education	2,009,441	143,255	10,736	46,959	29,388	53,872	1,338,639	906,375	4,538,666
Department of Health	4,085,145	1,578,703	85,916	235,084	29,576	146,878	249,078	834,432	7,244,811
COGTA	-	-	-	-	-	-	-	-	-
Department of Social Welfare	102,178	-	-	-	-	-	-	-	102,178
Department of Agriculture	-33	234	-	88	-	-	11	-	301
SANRAL	-	-	-	-	-	-	-	-	-0
Department of Transport	77,295	1,052	6,019	1,211	975	898	132,002		219,452
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
Ingonyama Trust Board	392	243	243	-	-	-	1,454,992	3,855,392	5,311,262
Transnet	3,055,492	-88,548	63,033	55,140	54,482	54,763	246,183	252,090	3,692,635
ESKOM	135,965	41,560	38,624	36,471	36,156	2,489	5,274	33,418	329,957
SA Post Office	11,767	3,103	2,590	2,576	2,563	2,590	16,960	15,291	57,440
Telkom	500,621	745	-	-	-	-	-	-	501,366
Foskor	34,265,933	-	-	-	-	-	-	-	34,265,933
Richards Bay IDZ	1,151,817	-	-	-	-	-	-	-	1,151,817

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 R79 229,19 as per **Annexure AC - DMS 1347659**.

Councillor's debt amounts to R1 659,33 as per **Annexure AD - DMS 1347659**.

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	ADJUSTED BUDGET 2018/2019	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2019 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA ADJUSTED BUDGET SPENT
		R	R	R	%
Overtime - Non-structured	31,403,700	28,786,725	22,829,283	5,957,442	79%
Overtime - Structured	22,499,600	20,624,633	18,972,731	1,651,903	92%
Shift Additional Remuneration	3,866,000	3,543,833	4,101,945	(558,111)	116%
TOTAL	57,769,300	52,955,192	45,903,959	7,051,233	87%

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."

In terms of the approved Overtime Policy, overtime is limited to 10 hours per week. For May 2019, this equates to 5 weeks x 10 hours per week = 50 hours.

The Municipal Manager received a request from the Department: Community Services to allow the following categories of employees to exceed the maximum overtime hours:

- Lifeguards
- Waste Management
- Traffic Services

The table below shows that the affected employees worked an additional 2 283 hours above the maximum allowed. This equates to expenditure of R1,4 million:

FUNCTION DESCRIPTION	OVERTIME AMOUNT	1.5 OVERTIME ACTUAL HOURS WORKED - NON-STRUCTURED	2 OVERTIME ACTUAL HOURS WORKED - NON-STRUCTURED	TOTAL HRS - NON-STRUCTURED	1.5 OVERTIME ACTUAL HOURS WORKED - STRUCTURED	2 OVERTIME ACTUAL HOURS WORKED - STRUCTURED	TOTAL HRS - STRUCTURED	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NO OF EMPL
Police Forces, Traffic and Street Parking	548 089.69	48.00	29.50	77.50	1 198.00	1 970.50	3 168.50	2 500.00	746.00	50
Solid Waste Removal Total	456 419.31	-	-	-	945.00	2 624.00	3 569.00	2 800.00	769.00	56
Street Cleaning Total	412 783.68	-	-	-	944.00	2 560.00	3 504.00	2 750.00	754.00	55
Public Toilets Total	12 531.68	-	-	-	16.00	48.00	64.00	50.00	14.00	1
Grand Total	1 429 824.36	48.00	29.50	77.50	3 103.00	7 202.50	10 305.50	8 100.00	2 283.00	162

This request was due to the number of public holidays for the month of April and May 2019 and was paid in May and June 2019 respectively.

During the month of May 2019, the employees in the following functions worked overtime of more than 10 hours per week which is the maximum that can 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 - NON-STRUCTURED	2 OVERTIME ACTUAL HOURS WORKED - NON-STRUCTURED	TOTAL HRS - NON-STRUCTURED	1.5 OVERTIME ACTUAL HOURS WORKED - STRUCTURED	2 OVERTIME ACTUAL HOURS WORKED - STRUCTURED	TOTAL HRS - STRUCTURED	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NOTES
2005084	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	5 829.23	27.00	29.00	56.00	-	-	-	50.00	6.00	k
2007144	FX015001002003	Sewerage - Sewerage Network	4	HANDYMAN	6 760.19	27.00	29.00	56.00	-	-	-	50.00	6.00	l
2018083	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	5 178.28	27.00	29.00	56.00	-	-	-	50.00	6.00	m
45096	FX015001002003	Sewerage - Sewerage Network	9	PLUMBER/SENIOR	12 715.95	25.00	30.00	55.00	-	-	-	50.00	5.00	n
96034	FX015001002003	Sewerage - Sewerage Network	CH12	SUPERINTENDENT	20 173.86	31.00	24.00	55.00	-	-	-	50.00	5.00	o
2007162	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	5 770.05	25.00	30.00	55.00	-	-	-	50.00	5.00	p
2017044	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	5 440.16	22.00	33.00	55.00	-	-	-	50.00	5.00	q
2012057	FX016001001003	Water Treatment - Scientific Services	3	GENERAL WORKER GR I	5 770.05	25.00	30.00	55.00	-	-	-	50.00	5.00	r
NOTES:														
k	Employee 2005084 worked 13hrs x 1 Sunday & 5 hrs x 2 Sundays = 23 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sunday = 6 plus 27 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
l	Employee 2007144 worked 13hrs x 1 Sunday & 5 hrs x 2 Sundays = 23 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sunday = 6 plus 27 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
m	Employee 2018083 worked 13hrs x 1 Sunday & 5 hrs x 2 Sundays = 23 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sunday = 6 plus 27 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
n	Employee 45096 worked 10hrs x 1 Sunday & 5 hrs x 1 Public Holiday & 8 hrs x 1 Public Holiday & 2 hrs x 1 Sunday = 25 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday & 2 hrs x 1 Sunday = 5 plus 25 hours at 1.5 = 55 hours paid BUT only 50 hours worked													
o	Employee 96034 worked 6hrs x 1 Sunday & 8 hrs x 1 Public Holiday & 5 hrs 1 Sunday = 19 hours but Sunday time is rounded up to 8 hrs therefore 2 hrs x 1 Sunday & 3 hrs x 1 Sunday = 5 plus 31 hours at 1.5 = 55 hours paid BUT only 50 hours worked													
p	Employee 2007162 worked 10hrs x 1 Sunday & 5 hrs x 1 Public Holiday & 8 hrs x 1 Public Holiday & 2 hrs x 1 Sunday = 25 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday & 2 hrs x 1 Sunday = 5 plus 25 hours at 1.5 = 55 hours paid BUT only 50 hours worked													
q	Employee 2017044 worked 13hrs x 1 Public Holiday & 3 hrs x 1 Sunday & 6 hrs x 2 Public Holidays = 28 hours but Sunday time is rounded up to 8 hrs therefore 1 hrs x 1 Sunday & 2 hrs x 2 Sundays = 5 plus 22 hours at 1.5 = 55 hours paid BUT only 50 hours worked													
r	Employee 2012057 worked 10hrs x 1 Sunday & 5 hrs x 1 Public Holiday & 8 hrs 1 Public Holiday & 2 hrs x 1 Sunday = 25 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday & 2 hrs x 1 Sunday = 5 plus 25 hours at 1.5 = 55 hours paid BUT only 50 hours worked													

EMP NO	FUNCTION	FUNCTION DESCRIPTION	SALARY SCALE	OCCUPATION	OVERTIME AMOUNT	1.5 OVERTIME - ACTUAL HOURS WORKED - NON-STRUCTURED	2 OVERTIME - ACTUAL HOURS WORKED - NON-STRUCTURED	TOTAL HRS - NON-STRUCTURED	1.5 OVERTIME - ACTUAL HOURS WORKED - STRUCTURED	2 OVERTIME - ACTUAL HOURS WORKED - STRUCTURED	TOTAL HRS - STRUCTURED	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NOTES
2007096	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	8 255.61	23.00	30.00	53.00	-	-	-	50.00	3.00	a
2011081	FX015001002003	Sewerage - Sewerage Network	4	HANDYMAN	7 185.20	20.00	40.00	60.00	-	-	-	50.00	10.00	b
2017034	FX015001002002	Sewerage - Pumpstations	9	FITTER/SENIOR	12 111.14	-	-	-	25.00	29.00	54.00	50.00	4.00	c
99084	FX015001002003	Sewerage - Sewerage Network	6	OPERATOR GR I	10 495.35	24.00	30.00	54.00	-	-	-	50.00	4.00	d
47217	FX002001001004	Electricity: Distribution	CH3	GENERAL WORKER GR II	5 681.28	32.00	24.00	56.00	-	-	-	50.00	6.00	e
2005098	FX002001001004	Electricity: Distribution	9	ELECTRICIAN SENIOR	14 165.76	32.00	24.00	56.00	-	-	-	50.00	6.00	f
2008104	FX002001001004	Electricity: Distribution	9	ELECTRICIAN SENIOR	13 575.52	40.00	16.00	56.00	-	-	-	50.00	6.00	g
2015117	FX002001001004	Electricity: Distribution	4	HANDYMAN	6 118.24	32.00	24.00	56.00	-	-	-	50.00	6.00	h
2016002	FX002001001004	Electricity: Distribution	9	ELECTRICIAN SENIOR	11 420.16	40.00	16.00	56.00	-	-	-	50.00	6.00	i
100560	FX015001002003	Sewerage - Sewerage Network	9	PLUMBER/SENIOR	12 533.14	27.00	29.00	56.00	-	-	-	50.00	6.00	j

NOTES:														
a	Employee 2007096 worked 10 hrs x 1 Sunday & 12 hrs x 1 Public Holiday & 5 hrs x 1 Sundays = 27 hours but Sunday time is rounded up to 8 hrs therefore 3 hr x 1 Sunday = 3 hours plus 23 hours at 1.5 = 53 hours paid BUT only 50 hours worked													
b	Employee 2011081 worked 5 hrs x 2 Sundays & 4 hrs x 3 Sundays & 3 hrs x 2 Public Holidays & 2 hrs x 1 Public Holiday = 30 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sundays & 1 hr x 2 Sundays & 2 hrs x 1 Sunday = 10 plus 20 hours at 1.5 = 60 hours paid BUT only 50 hours worked													
c	Employee 2017034 worked 9 hrs x 1 Sunday & 6 hrs x 1 Sunday & 6 hrs x 1 Public Holiday & 3 hrs x 1 Public Holiday = 24 hours but Sunday time is rounded up to 8 hrs therefore 2 hr x 2 Sundays & 1 hr x 1 Sunday = 5 plus 25 hours at 1.5 = 54 hours paid BUT only 49 hours worked													
d	Employee 99084 worked 10 hrs x 1 Sunday & 2 hrs x 1 Sunday & 6 hrs x 1 Public Holiday & 8 hrs x 1 Sunday = 26 hours but Sunday time is rounded up to 8 hrs therefore 2 hr x 2 Sundays = 4 plus 24 hours at 1.5 = 54 hours paid BUT only 50 hours worked													
e	Employee 47217 worked 8 hrs x 1 Public Holiday & 4.5 hrs x 1 Sunday & 5.5 hrs x 1 Public Holiday = 18 hours but Sunday time is rounded up to 8 hrs therefore 3.5 hr x 1 Sunday & 2.5 hrs x 1 Sunday = 6 plus 24 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
f	Employee 2005098 worked 8 hrs x 1 Public Holiday & 4.5 hrs x 1 Sunday & 5.5 hrs x 1 Public Holiday = 18 hours but Sunday time is rounded up to 8 hrs therefore 3.5 hr x 1 Sunday & 2.5 hrs x 1 Sunday = 6 plus 24 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
g	Employee 2008104 worked 2 hrs x 1 Sunday & 5 hrs x 1 Sunday & 3 hrs x 1 Public Holiday = 10 hours but Sunday time is rounded up to 8 hrs therefore 2.5 hrs x 1 Sunday & 3.5 hrs x 1 Sunday & 1 hr x 1 Sunday = 6 plus 40 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
h	Employee 2015117 worked 8 hrs x 1 Public Holiday & 4.5 hrs x 1 Sunday & 5.5 hrs x 1 Public Holiday = 18 hours but Sunday time is rounded up to 8 hrs therefore 3.5 hr x 1 Sunday & 2.5 hrs x 1 Sunday = 6 plus 24 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
i	Employee 2016002 worked 2 hrs x 1 Sunday & 5 hrs x 1 Sunday & 3 hrs x 1 Public Holiday = 10 hours but Sunday time is rounded up to 8 hrs therefore 2.5 hrs x 1 Sunday & 3.5 hrs x 1 Sunday & 1 hr x 1 Sunday = 6 plus 40 hours at 1.5 = 56 hours paid BUT only 50 hours worked													
j	Employee 100560 worked 13hrs x 1 Sunday & 5 hrs x 1 Public Holiday & 5 hrs x 1 Sunday = 23 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sunday = 6 plus 27 hours at 1.5 = 56 hours paid BUT only 50 hours worked													

4.2 Volume of Transfers

Department	May-19			Total Volume Of Virements	Total Volume Of Virements	Total Value of Virements
	Capital	Operating	Value	Capital	Operating	R
City Development	-	11	2,384,300	7	63	12,880,200
Community and Social Services	1	12	813,700	24	85	33,560,800
Corporate Services	1	12	1,120,800	18	87	27,335,000
Financial Services	-	4	669,800	8	28	10,478,100
Electrical and Energy Supply Services	2	5	2,616,000	18	40	25,762,200
Engineering Support Services	-	-	-	-	13	1,290,400
Roads and Stormwater	-	3	160,300	3	13	11,945,300
Water and Sanitation Services	2	7	12,122,200	13	39	85,975,800
Office of The Municipal Manager	-	9	386,900	1	26	1,100,000
Total	6	63	20,274,000	92	394	210,327,800

The table indicated above shows the virements received by Financial Services as at 31 May 2019 from various departments.

4.3 Security

The table below indicates the pro-rata budget and actual expenditure for the line item. It is clearly evident that the expenditure is increasing at an alarming rate over the years:

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	
LINE ITEM	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	PRO-RATA ADJUSTED BUDGET	ACTUAL YTD 31/05/2019
	R	R	R	R	R	R	R	R
SAFEGUARD AND SECURITY	20,908,176	24,679,748	30,950,032	37,924,078	46,469,620	49,720,555	49,432,625	48,857,976

The spending patterns per department are as follows:

	ADJUSTED BUDGET 2018/2019	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2019 (YTD)	% OF PRO-RATA ADJUSTED BUDGET
	R	R	R	R
CITY DEVELOPMENT	2,432,600	2,229,883	2,289,437	103%
COMMUNITY SERVICES	21,190,200	19,424,350	19,149,729	99%
CORPORATE SERVICES	8,618,700	7,900,475	8,131,022	103%
FINANCIAL SERVICES	3,059,100	2,804,175	2,434,585	87%
ENERGY AND ELECTRICAL SOURCES	5,638,500	5,168,625	4,404,778	85%
INFRASTRUCTURE SERVICES	12,987,400	11,905,117	12,448,425	105%
TOTAL	53,926,500	49,432,625	48,857,976	99%

4.4 Legal Fees

The table below indicates the revised budget and actual expenditure for the line item. It is clearly evident that the expenditure is increasing at an alarming rate over the years:

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019						
LINE ITEM	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	ADOPTED BUDGET 2018/19	ADJUSTED BUDGET 2018/19	VIREMENTS	OVER-EXPENDITURE	REVISED BUDGET	ACTUAL YTD 31/05/2019 (INCL COMMITMENTS)	FUNDING AVAILABLE
	R	R	R	R	R	R	R	R	R	R	R
LEGAL FEES - LITIGATION	6 323 856	3 793 945	2 375 967	8 385 098	4 399 500	8 193 200	618 700	4 800 000	13 611 900	13 232 864	379 036

Comments

It is important to note that although an additional amount of R3,8 million was provided for on the 2018/19 Adjusted Budget, a further amount of R4,8 million has been requested by the Deputy Municipal Manager: Corporate Services and duly approved by the Municipal Manager. These additional funds will need to be sourced from savings elsewhere on the budget as the department has not been able to secure funding under Corporate Services.

The anticipated expenditure for 2018/19 financial year will have increased by 62% or R5,2 million from the actual expenditure for 2017/2018.

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

The following monthly budget statement tables (**DMS 1347658**) 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
Table SC13e	Monthly capital expenditure on upgrading of existing assets by assets class	Z

PART 2 - SUPPORTING DOCUMENTATION

6. **DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 May 2019.

7. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 May 2019.

8. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 31 May 2019.

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 May 2019.

10. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 May 2019.

11. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 May 2019:

- ❑ 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**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**).

12. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1350076** (**Annexure AE**).

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details 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 May 2019, 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 1347658**), be noted.