

12257

FINANCIAL REPORTING AS AT 31 JANUARY 2018

This report served before the Financial Services Portfolio Committee on 27 February 2018. The recommendations were supported.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 January 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 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 January 2018 is included under **Annexures Z and AA (DMS 1256740)**.

DISCUSSION

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 71 and Section 74 of the MFMA in electronic format.

TABLE OF CONTENTS

PART 1 - IN-YEAR REPORT	
1.	Mayor's Report
2.	Resolutions
3.	Executive Summary
3.1	Executive Summary – Status of mSCOA Project
3.2	Executive Summary – Operating Budget
3.3	Executive Summary – Cash Flow Situation
3.4	Executive Summary – Grants Balances
3.5	Executive Summary – Capital Budget Summary
3.6	Executive Summary – Expenditure per Category
3.7	Executive Summary – Revenue per Category
3.8	Executive Summary – Surplus and Deficit by Service Category
3.9	Executive Summary – Debtors Age Analysis
3.10	Executive Summary – Employee Debt and Councillor Debt
4.	Exception Reporting – General
4.1	Exception Reporting – Employee Related Costs
4.1.1	Exception Reporting – Employee Related Costs - Overtime
4.2	Exception Reporting – Volume of Transfers
4.3	Exception Reporting – Specific Line Items
5.	Exception Reporting – Departmental
5.1	Exception Reporting – Community Services
5.2	Exception Reporting – Infrastructure and Technical Services
6.	In-year budget statement tables
PART 2 – SUPPORTING DOCUMENTATION	
7.	Debtors' Analysis
8.	Creditors' Analysis
9.	Investment portfolio analysis
10.	Allocation and grant receipts and expenditure
11.	Councillor allowances and employee benefits
12.	Capital programme performance
13.	Municipal Manager's quality certification

PART 1 – IN-YEAR REPORTING

1. **MAYOR’S REPORT FOR THE MONTH – JANUARY 2018**

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 January 2018, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 2017. 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 January 2018 (year to date actual), shows a surplus of R47,0 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well. The performance in this area is **Acceptable**.

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is very low at R152,3 million (26,78%). This is based on the Draft Adjusted Capital Budget of R571 million. Expenditure is expected to rise as the year progresses. The Project steering Committee is monitoring the capital projects to ensure that any issues are resolved promptly. The performance in this area is **NOT Acceptable**. The level of expenditure is supposed to be at least around 58% (R333 million) and administration needs a strategy to expedite expenditure or SCM processes in this regard.

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 2,96:1 (611 901/206 626). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Acceptable**.

- (b) **a summary of any financial problems or risks facing the municipality or any such entity; and**

Currently there are **no** major financial problems or major risks facing the municipality based on this report that requires intervention. However, the following are matters highlighted which needs to be managed very closely:

1. Although Council has made good progress in the implementation of mSCOA, it however remains work in progress. This year 2017/18 is the year for all municipalities to comply with mSCOA Regulations. The Regulations are such that there is no room for non-compliance. In our area we have been a pilot for the last 2 years and we are now on the third year of MSCOA. The National Treasury monitors progress on implementation of these regulations. The new version 6.2 was released in December 2017. It be noted that these amendments are necessary however they do not have an impact on how we are currently progressing on the current version 6.1 Chart.

2. The collection of outstanding debt remains a challenge more especially in the Traditional Areas. Although Council is doing well when comparing the Municipality with Metros and others, Council still needs to do more on this front. Currently there are meetings conducted at Traditional Authority level where the need for payment of services is emphasized. In these meetings Amakhosi are requesting a meeting with the Municipality leadership to discuss the same;
3. Slow capital expenditure remains a challenge with a 26,78% as at January 2018. It is therefore requested that administration must work hard to better the last year expenditure performance of 93%. Council will carry on monitoring the pattern of this expenditure; and
4. Although the Water Services is showing a surplus of R22,7 million, this has been achieved on Level 4 drought tariffs. When these tariffs are normalised as the drought crises eases, the expenditure will have to be reduced.

(c) **any other information considered relevant by the Mayor**

From the report, overtime remains a challenge and the departments have explained the reasons why such overtime was necessary. It is requested that the overtime expenditure be managed.

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 Status of mSCOA (Municipal Standard Chart of Accounts)

The status in executive summary form is as follows:

- The municipality is now finished with piloting this initiative and will be with effect from 1 July 2017 as per the regulations running live; and

The validation checks for the budget upload have all been passed by the National Treasury to date. The next phase for National Treasury is to check the integrity of systems and the integrity of the budget data as it relates to mSCOA.

3.2 Operating Budget

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

DESCRIPTION	ADOPTED BUDGET 2017/2018	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JAN 2018 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	3,042,745,400	1,774,934,817	1,696,596,975	95.59%
Capital Grants and Subsidies	(147,304,800)	(85,927,800)	-	0.00%
Gains on Disposal of PPE	-	-	(4,781,743)	0.00%
Adopted Revenue Budget	2,895,440,600	1,689,007,017	1,691,815,232	100.17%
Adopted Expenditure Budget	2,882,743,500	1,681,600,375	1,644,779,021	97.81%
Surplus	12,697,100	7,406,642	47,036,211	

As can be seen from the table above, Actual Surplus for the month ended 31 January 2018 is significantly higher than the Budgeted Surplus. Significant factors that distort these numbers to show a higher surplus are mostly related to timing matters:

1. Although municipality is only half way through its financial year, it has received 75% of its equitable share i.e. R48,7 million overstated;
2. Of the three high season months for electricity tariffs two months (July and Aug) have already been received;
3. It is important to note that a large number of vacant posts have been advertised in the period September to November 2017 and it is envisaged that these posts will be filled in January / February 2018.

Therefore this surplus will reduce over the coming months.

3.3 Cash Flow Situation

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2,96:1 (611 901/206 625).

MFMA Circular 71:

The Cash/Cost Coverage ratio in terms of MFMA Circular 71 is [(Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)] **and the norm is one (1) to three (3) times the average monthly creditors.**

The calculation for the above ratio is as follows: $[(134\ 333 - 26\ 601 - 22\ 088) + 526\ 257] / (2\ 882\ 744 - 376\ 848 - 26\ 388) / 12]$ which currently sits at 2,96:1.

It bears noting that both Council's Policy and the National Treasury MFMA Circular 71, the City of uMhlathuze has suitable cash coverage.

3.4 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2017	AMOUNT GAZETTED FOR AUGUST 2017	AMOUNT GAZETTED FOR SEPTEMBER 2017	AMOUNT GAZETTED FOR OCTOBER 2017	AMOUNT GAZETTED FOR NOVEMBER 2017	AMOUNT GAZETTED FOR DECEMBER 2017	AMOUNT GAZETTED FOR JANUARY 2018	TOTAL TO BE RECEIVED AS AT 30/06/2018	AMOUNT RECEIVED AS AT 31/01/2018	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2018	% SPENT	COMMENTS
NATIONAL TREASURY													
Equitable Share	121,671,000		-	-	-	97,336,000	-	292,009,000	219,007,000	73,002,000	170,338,583.33	58%	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	16,000,000		-	-	-	44,000,000	-	108,742,000	60,000,000	48,742,000	46,884,142	43%	This expenditure is as per claims submitted to COGTA The actual expenditure is 78% based on the actual receipts
Financial Management Grant	2,650,000		-	-	-	-	-	2,650,000	2,650,000	-	476,094	18%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Water Service Infrastructure Grant-WSIG			-	20,200,000	-	-	-	34,000,000	20,200,000	13,800,000	28,209,248	83%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Programme		1,036,000	-	-	1,864,000	-	-	4,143,000	2,900,000	1,243,000	3,138,639	76%	The grant is for the operational expenditure for EPWP
Infrastructure Skills Development Grant	2,500,000		-	-	-	-	4,000,000	6,500,000	6,500,000	-	1,843,276	28%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Integrated National Electrification Grant	6,000,000		-	4,000,000	-	-	-	10,000,000	10,000,000	-	2,608,942	26%	The INEG is a project based grant administered by DOE for the electrification of poor households
Municipal Demarcation Transitional Grant	1,142,000		1,141,000	-	-	-	-	3,424,000	2,283,000	1,141,000	3,749,272	109%	This grant is for the dis-establishment of Ntambanana Municipality. Additional allocation R 2 785 000 to be received in terms of DORA amendment act
TOTAL NATIONAL TREASURY GRANTS	149,963,000	1,036,000	1,141,000	24,200,000	1,864,000	141,336,000	4,000,000	461,468,000	323,540,000	137,928,000	257,248,197	56%	

NOTES:

OFFICIAL FINAL VERSION

RPT 164043
Page 8 of 34

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2017	AMOUNT GAZETTED FOR AUGUST 2017	AMOUNT GAZETTED FOR SEPTEMBER 2017	AMOUNT GAZETTED FOR OCTOBER 2017	AMOUNT GAZETTED FOR NOVEMBER 2017	AMOUNT GAZETTED FOR DECEMBER 2017	AMOUNT GAZETTED FOR JANUARY 2018	TOTAL TO BE RECEIVED AS AT 30/06/2018	AMOUNT RECEIVED AS AT 31/01/2018	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2018	% SPENT	COMMENTS
PROVINCIAL TREASURY													
Provincialisation of Libraries	-	-	7,881,000	-	-	-	-	7,881,000	7,881,000	-	12,114,506	154%	The total cost of libraries is indicated in the total expenditure column, However council only receives a subsidy from KZN Provincial library services this means that Council must fund the balance from Rates and General services
Community Library Services Grant (Cyber cadets)	-	-	1,504,000	-	-	-	-	1,504,000	1,504,000	-	818,338	54%	Expenditure shown is the total operating cost of the Cybercadets for the period, Expenditure is on track.
Housing Operating Account	-	-	2,628,000	-	-	-	-	2,628,000	352,720	2,275,280	7,614,164	290%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs. Council is required to co-fund Human Settlement cost
Museum Subsidy	-	-	183,000	-	-	-	-	183,000	-	183,000	4,778,684	2611%	The total cost of Museum is indicated in the total expenditure column, However council only receives a subsidy from KZN Provincial Library Services this means that council must fund the balance from Rates and General services
TOTAL PROVINCIAL TREASURY GRANTS	-	-	12,196,000	-	-	-	-	12,196,000	9,737,720	2,458,280	25,325,692	208%	
TOTAL GRANTS AND SUBSIDIES	149,963,000	1,036,000	13,337,000	24,200,000	1,864,000	141,336,000	4,000,000	473,664,000	333,277,720	140,386,280	282,573,889	60%	

3.5 Capital Budget Summary

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

FUNCTION	ADOPTED BUDGET 2017/2018	DRAFT ADJUSTED BUDGET	ACTUAL JAN 2018 (YTD)	% OF DRAFT ADJUSTED BUDGET SPENT
	R	R	R	%
Finance and Administration	98,580,000	125,321,500	7,326,599	8.32%
Community and Social Services	32,374,000	31,912,400	3,758,626	10.52%
Energy Sources	82,142,000	92,796,200	18,691,771	17.34%
Executive and Council	119,000	119,000	73,136	61.46%
Environmental Protection	739,900	739,900	-	0.00%
Planning and Development	15,297,000	22,142,800	5,686,880	31.78%
Public Safety	275,000	7,242,000	4,347,518	64.77%
Road Transport	90,809,500	103,195,300	40,001,225	44.20%
Sport and Recreation	16,247,900	19,470,300	4,328,344	23.60%
Waste Management	2,500,000	2,492,000	7,449	0.30%
Waste Water Management	81,038,300	72,989,600	27,738,614	33.22%
Water	101,132,500	92,083,800	40,346,006	34.51%
	521,255,100	570,504,800	152,306,168	26.78%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2017/2018	DRAFT ADJUSTED BUDGET	ACTUAL JAN 2018 (YTD)	% OF DRAFT ADJUSTED BUDGET SPENT
	R	R	R	%
Borrowing	100,000,000	109,968,500	26,269,210	23.89%
Capital Replacement Reserve	273,950,300	312,797,500	64,496,218	20.70%
MIG	103,304,800	103,304,800	36,668,906	35.50%
Government Grants - National	44,000,000	44,434,000	24,871,830	56.53%
TOTAL	521,255,100	570,504,800	152,306,164	26.78%

3.6 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2017/2018	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JAN 2018 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	728,257,400	424,816,817	407,915,820	96.02%
Remuneration of Councillors	29,146,500	17,002,125	17,205,268	101.19%
Debt Impairment	26,387,500	15,392,708	15,392,708	100.00%
Depreciation and asset impairment	376,848,000	219,828,000	219,832,258	100.00%
Finance Charges	73,401,100	42,817,308	43,054,924	100.55%
Bulk Purchases - Electricity	954,886,000	557,016,833	503,842,942	90.45%
Bulk Purchases - Water	120,000,000	70,000,000	70,077,262	100.11%
Other Materials	67,995,100	39,663,808	46,026,467	116.04%
Contracted Services	245,017,600	142,926,933	154,080,449	107.80%
Transfers and grants	11,728,800	6,841,800	6,717,991	98.19%
Other Expenditure	249,075,500	145,294,042	160,632,932	110.56%
TOTAL	2,882,743,500	1,681,600,375	1,644,779,021	97.81%

Bulk Purchases – Electricity

Electricity purchases are higher in July and August due to the increase tariff charged by Eskom in the winter months. Corresponding increase revenue is expected during the same period.

3.7 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2017/2018	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JAN 2018 (YTD)	% PRO-RATA ADOPTED BUDGET
	R	R	R	%
Rates	452,872,300	264,175,508	274,041,136	103.73%
Service Charges – Electricity revenue	1,535,234,200	895,553,283	810,630,798	90.52%
Service Charges – Water revenue	309,064,200	180,287,450	203,003,623	112.60%
Service Charges – Refuse revenue	76,575,500	44,669,042	57,017,232	127.64%
Service Charges – Sanitation revenue	92,006,200	53,670,283	53,834,946	100.31%
Rental of facilities and equipment	8,008,100	4,671,392	4,670,245	99.98%
Interest earned – external investments	41,942,300	24,466,342	36,237,893	148.11%
Interest earned – outstanding debtors	52,800	30,800	50,384	163.58%
Fines	7,563,000	4,411,750	4,056,925	91.96%
Licences and permits	3,609,000	2,105,250	2,210,495	105.00%
Agency services	7,390,000	4,310,833	3,653,380	84.75%
Operating Grants and Subsidies	326,359,200	190,376,200	231,008,429	121.34%
Capital Grants and Subsidies	147,304,800	85,927,800	-	0.00%
Gains on Disposal of PPE	-	-	4,781,743	0.00%
Other Revenue	34,763,800	20,278,883	11,399,746	56.21%
TOTAL REVENUE	3,042,745,400	1,774,934,817	1,696,596,975	95.59%
Less: Capital Revenue				
Capital Grants and Subsidies	(147,304,800)	(85,927,800)	-	0.00%
Gains on Disposal of PPE	-	-	(4,781,743)	0.00%
TOTAL OPERATING REVENUE	2,895,440,600	1,689,007,017	1,691,815,232	100.17%

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

3.8 Surplus and Deficit by Service Category

SERVICES	ADOPTED BUDGET 2017/2018				ACTUAL AS AT 31 JANUARY 2018		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	PRO-RATA SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Rates and General Services							
Executive and Council	3,605	20,343	(16,738)	(4,185)	269	15,416	(15,147)
Finance and Administration	513,150	59,244	453,906	113,477	316,409	49,887	266,522
Community and Social Services	13,374	77,991	(64,617)	(16,154)	11,474	45,297	(33,823)
Sport and Recreation	21,435	142,190	(120,755)	(30,189)	2,991	77,999	(75,008)
Public Safety	844	63,537	(62,693)	(15,673)	491	35,663	(35,172)
Housing	4,131	19,319	(15,188)	(3,797)	(169)	10,361	(10,530)
Environmental Protection	9	9,481	(9,472)	(2,368)	-	4,787	(4,787)
Health	-	-	-	-	-	-	-
Planning and Development	18,249	83,041	(64,792)	(16,198)	6,224	43,263	(37,039)
Internal Audit	-	13	(13)	(3)	-	(1,926)	1,926
Road Transport	32,782	285,214	(252,432)	(63,108)	6,781	159,691	(152,910)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	-	26,765	(26,765)	(6,691)	-	14,378	(14,378)
Other	13	5,848	(5,835)	(1,459)	1	3,778	(3,777)
Total Rates and General Services	607,592	792,986	(185,394)	(46,349)	344,471	458,594	(114,123)
Airport	697	807	(110)	(28)	-	471	(471)
Trading Services							
Electricity	1,548,668	1,286,254	262,414	65,604	813,245	689,158	124,087
Water	468,029	438,151	29,878	7,470	286,860	287,967	(1,107)
Clarified Water	28,351	16,756	11,595	2,899	(1,759)	12,148	(13,907)
Sewerage	254,402	220,927	33,475	8,369	148,373	125,402	22,971
Refuse Removal	135,006	126,863	8,143	2,036	100,625	71,039	29,586
Total Trading Services	2,434,456	2,088,951	345,505	86,376	1,347,344	1,185,714	161,630
Total Service Category	3,042,745	2,882,744	160,001	40,000	1,691,815	1,644,779	47,036

The table above sets out the surplus and deficit for each service category. It is important to note that although the trading services namely Electricity, Water, Clarified Water, Sewerage and Refuse Removal are expected to be profitable and **only Electricity, Sewerage and Refuse services are making surpluses.**

As part of Council's Revenue Enhancement Policy approved in July 2013, a considerable effort needs to be made to improve the surplus for the remaining trading services by reducing expenditure 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. **The dependency on Electricity Revenue alone is of great risk. Firstly, it is more susceptible to economic fluctuations compared to Rates income and secondly, Council needs to keep Electricity Tariffs for business at competitive prices to stimulate economic development. Keeping the Municipality afloat through Electricity alone is a risk to financial sustainability.**

3.9 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	7,524,747	(25,368)	249,942	10,708,992	18,458,313
Business	171,661,845	3,491,722	1,645,938	55,412,126	232,211,631
Households	51,572,012	4,874,654	5,051,797	105,470,689	166,969,152
Other	1,985,858	361,989	517,600	9,807,797	12,673,244
Total	232,744,462	8,702,997	7,465,277	181,399,604	430,312,340
%	54.09%	2.02%	1.73%	42.16%	

FINANCIAL REPORTING ON INCOME / DEBT

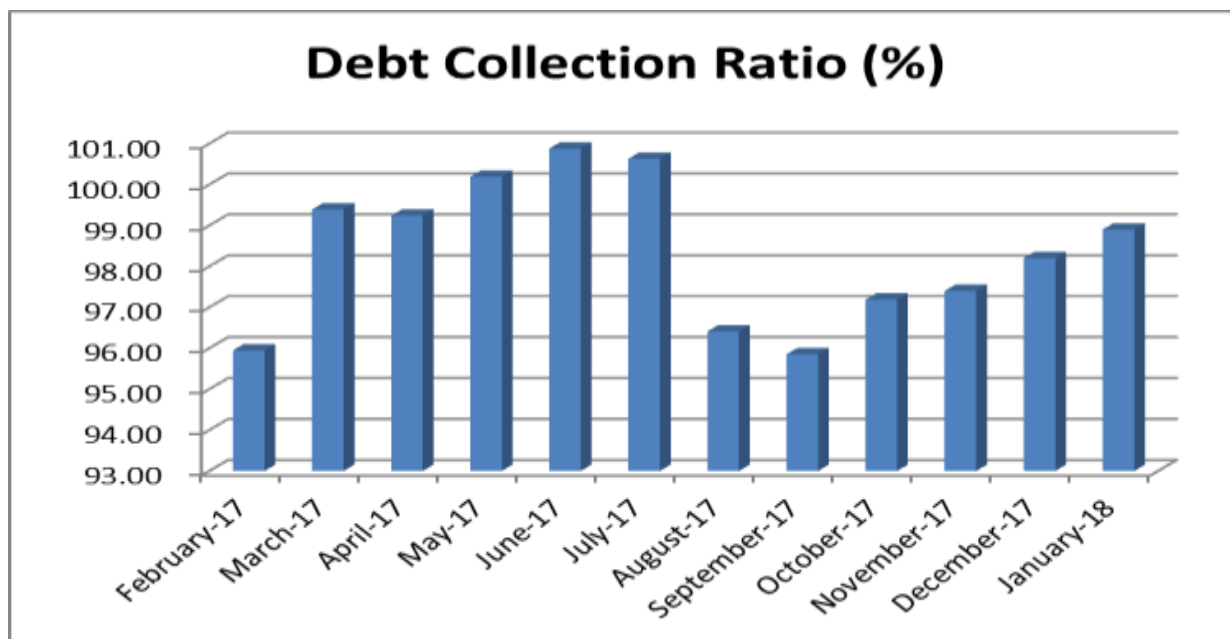
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 (%)
January-18	98.90
December-17	98.20
November-17	97.40
October-17	97.19
September-17	95.85
August-17	96.41
July-17	100.63
June-17	100.88
May-17	100.19
April-17	99.24
March-17	99.39
February-17	95.95



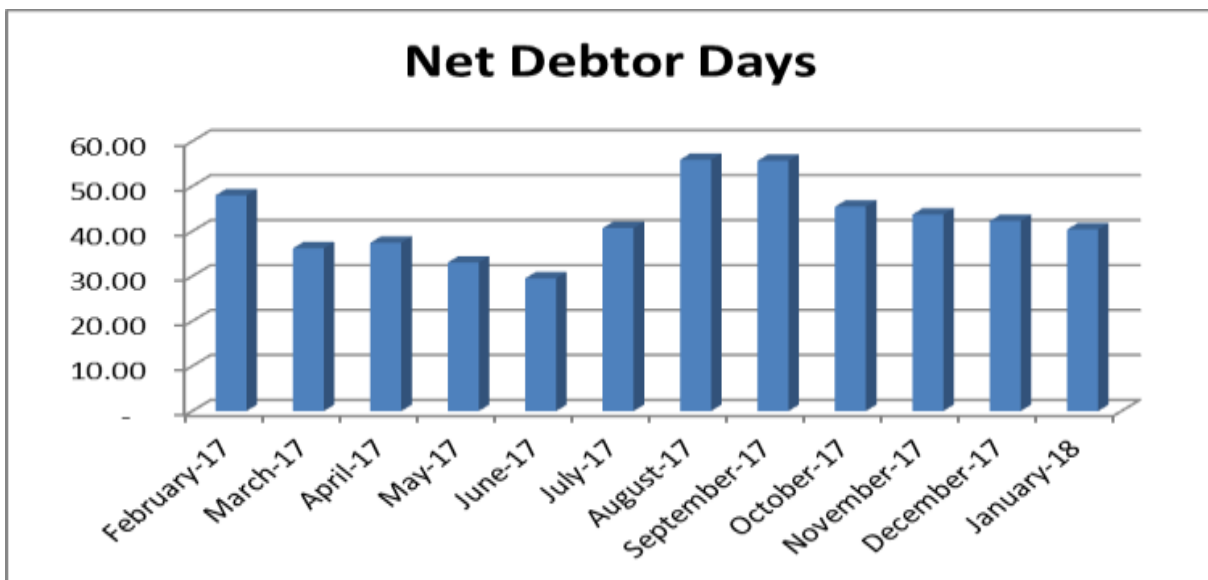
➤ **Net Debtors Days**

This ratio reflects the collection period. Net Debtor Days refers 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 exclude 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
January-18	40.40
December-17	42.28
November-17	43.70
October-17	45.45
September-17	55.66
August-17	55.90
July-17	40.70
June-17	29.52
May-17	33.05
April-17	37.44
March-17	36.20
February-17	47.98



➤ **Top Ten Business Debts**

TOP 10 DEBTORS			
Debtor No	Name	90 days +	Grand Total
1854904	BASFOUR 3721 (PTY) LTD	20,631,110	22,377,590
1610626	TISAND (PTY) LTD	4,689,265	5,754,315
2289941	PANDA PETROLEUMS	4,525,420	4,604,934
1929003	ZOTEC DEVELOPMENT(PTY)LTD	3,192,360	3,192,360
416383	RIVER ROCK INVEST (PTY) LTD	2,031,171	2,333,233
392020	RIVER ROCK INVEST (PTY) LTD	877,902	2,001,800
1940649	SHIFTING SANDS PROPERTY INVESTMENTS	631,581	767,243
1317138	KING CETSHWAYO DISTRICT MUNICIPALITY	547,638	654,003
2024857	SUGERBERRY TRADING 664	435,180	435,180
1249632	MR TB NENE	406,131	423,969
		37,967,757	42,544,627

MATTERS BEING HANDLED BY THE FINANCE DEPARTMENT

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.

Update January 2018

There is no further progress as the court date is awaited.

2. TISAND (PTY) LTD

This account for Tisand (Pty) Ltd is in respect of the water surcharge being levied against the debtor. The matter is under dispute. Council obtained advice from its attorneys. The advice is currently being studied and will be reported on in due course.

Update January 2018

There is no further progress to report.

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.

Update January 2018

The payment arrangement was concluded and substantial first payment was received.

4. SHIFTING SANDS (PTY) LTD

The account is in respect of services to a business park in Empangeni. The charges were charges related to the previous owner and there was a large amount corrected once off on the account. Payment arrangements to settle the account in instalments were made.

Update January 2018

The debtor is honouring the arrangement and paying in instalments.

5. TB NENE

The matter relates to an arrear account for water in the Mkhwanazi North Traditional area. Credit Control actions in the Traditional areas have been placed on hold pending a meeting with the Traditional Leaders.

MATTERS OUTSTANDING FROM CORPORATE SERVICES DEPARTMENT – LEGAL SERVICES AND CITY DEVELOPMENT

1. ZOTEC DEVELOPMENT (PTY) LTD

Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Estate in Empangeni. The developer disputed the charges. The matter is set down for Arbitration.

Update January 2018

Legal Services advised that the matter was referred to arbitration. Upon hearing the matter, it became clear that Council did not have in its possession information that was required to substantiate the total amount claimed because employees that were dealing with this agreement had left the employ of the Council. The Arbitrator, Mr Crampton, acknowledged that there were amounts that were due to Council in respect of contributions. He concluded with an order that Zotech should pay Council an amount of R820 000.00. This amount was paid into Council's account when the arbitration was finalised in 2016. The balance on the account will now be reversed in February 2018.

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 has been reported to the DMM City Development, Property Division to give the debtor notice in terms of the agreement. The debtor's account was handed over to Council's attorneys for collection but the file was pending under request from the legal section who advised that they will be dealing with the matter.

Update January 2018

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 collection process will now proceed.

3. RIVER ROCK INVESTMENTS (PTY) LTD

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 include 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.

Update January 2018

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

4. KING CETSHWAYO DISTRICT

The charges relate to a sundry charge levied against one of the accounts of the accounts of the King Cetshwayo District Municipality. The account is still in the name of UThungulu District and they have not requested Council to change the account name. It relates to damage caused to the fibre optic cable at the Cemetery. UThungulu officials indicated in correspondence that there has been some agreement with the contractor and Council. Legal services section advised that they are dealing with the matter.

Update January 2018

A meeting was held with King Cetshwayo District Municipality representatives and the Contractor to discuss the issue and to find a solution. At the meeting, the contractor disputed certain items that Council is claiming from him as unnecessary and request that further proof be provided by Council's contractor who conducted the repair work. Further details of clarity have been requested from Council's contractor. The matter is still ongoing.

5. SUGARBERRY TRADING

The account was for the contract for litterbin advertising. The details of this debt were reported continuously in the quarterly report from the user department. It was then resolved by Council that the contract be cancelled and the account handed over to Council's attorneys for collection. The contract was then formally cancelled and was handed over to Council's attorneys for collection. On request of the Legal Services section, this matter is being held in abeyance pending further negotiations with the debtor.

A report was completed by the user department and will serve in February 2016 and an arrangement was reached with the debtor whereby Council would take ownership of the litterbins. The completion of the administration process by the user department and the legal services section whereby the monies should be provided to cover the debt is still outstanding.

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	3,840,883	75,421	16,864	-1,812	-2,778	8,451	1,290,607	1,079,980	6,307,616
Provincial	4,292,983	746,205	52,746	443,522	180,786	255,873	4,655,927	4,172,357	14,800,399
Totals	8,133,866	821,626	69,610	441,710	178,008	264,324	5,946,534	5,252,337	21,108,015
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	3,834,480	69,018	10,461	-2,440	-3,168	2,741	581,305	993,740	5,486,137
Rural Development & land Reform	6,404	6,404	6,404	628	389	5,710	709,302	86,240	821,481
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	68,012	55,840	89,269	72,364	15,272	34,838	3,703,355	2,836,158	6,875,108
Education	1,951,583	457,382	-209,428	69,461	29,218	13,643	606,458	528,130	3,446,447
Human Settlement	24,537	24,509	26,618	21,763	9,489	3,420	121,736	853,219	1,085,291
Department of Transport	136,471	-	32,055	-	-	-	-	-	168,526
Department of Health	2,057,736	153,227	129,617	263,340	110,260	187,385	180,981	-45,157	3,037,389
COGTA	16,447	16,481	16,669	16,594	16,547	16,586	43,398	-	142,722
Department of Social Welfare	32,920	-	-	-	-	-	-	-	32,920
Department of Agriculture	5,278	6,711	-	-	-	-	-	-	11,989
SANRAL	-	-	-	-	-	-	-	8	8
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Transnet	2,491,997	389,953	352,267	209,441	222,920	200,512	698,701	84,864	4,650,655
ESKOM	142,044	31,564	16,897	1,691	1,252	1,241	3,798	-	198,487
Ingonyama Trust Board	17,029	16,212	16,212	14,222	9,040	7,374	624,165	3,740,079	4,444,333
Telkom	199,246	-	137	-	-	-	-	-	199,383
Foskor	15,574,565	2,215,478	1,210,598	-	-	-	-	-	19,000,641
SA Post Office	55,917	-	-	-	-	-	-	-	55,917

Comments Regarding Government Debt

A special workshop on Government Debt was held at Council offices, facilitated by Provincial Treasury. A special programme is in place with the objective to provide a final resolve to all government debt. The results of the programme will become clearer during this financial year. The co-operation between the different government departments are very good and positive results can be expected. The majority of the government accounts in respect of rates for the 2017/2018 year have now been paid.

Update January 2018

Formal notice of disconnection of services was sent to the Department of Public Works. They advised that there are no budgets available to pay the accounts and that it will only become available in April. The disconnection process will proceed in February 2018.

6.10 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 R124 349,53 as per **Annexure AB - DMS 1256740**.

Councillor's debt amounts to R82 707,24 as per **Annexure AC - DMS 1256740**.

7. 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.**

7.1 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.

7.1.1 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	PROPOSED ADJUSTED BUDGET 2017/2018	PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA PROPOSED ADJUSTED BUDGET SPENT
		R	R	R	%
Overtime - Non-structured	25,054,000	14,614,833	14,832,997	(218,163)	101%
Overtime - Structured	17,839,800	10,406,550	9,959,943	446,607	96%
Shift Additional Remuneration	2,333,600	1,361,267	1,601,854	(240,588)	118%
TOTAL	45,227,400	26,382,650	26,394,794	(12,144)	100%

The table below represents the expenditure incurred on overtime for each department for the month of January 2018. The relevant departments have supplied the comments for the over-expenditure incurred on overtime.

DEPARTMENT	PROPOSED ADJUSTED BUDGET 2017/2018	PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	R	%
Community Services	21,589,900	12,594,108	13,159,834	(565,726)	104%
Corporate Services	814,000	474,833	411,730	63,104	87%
Financial Services	222,100	129,558	71,589	57,969	55%
Infrastructure and Technical Services	22,595,800	13,180,883	12,746,971	433,913	97%
Office of the Municipal Manager	5,600	3,267	4,670	(1,404)	0%
Total	45,227,400	26,382,650	26,394,794	(12,144)	100%

Below is the table showing the increase on actual expenditure on overtime from December 2017 to January 2018. The overtime has increased more than 20% under Community Services, Corporate Services and Infrastructure and Technical Services departments.

DEPARTMENT	ACTUAL DECEMBER 2017 (YTD)	ACTUAL JANUARY 2018 (YTD)	INCREASE (YTD)	% INCREASE
	R	R	R	%
Community Services	10,030,900	13,159,834	3,128,934	31%
Corporate Services	328,090	411,730	83,639	25%
Financial Services	70,810	71,589	779	1%
Infrastructure and Technical Services	10,519,336	12,746,971	2,227,635	21%
Office of the Municipal Manager	4,670	4,670	-	0%
Total	20,953,807	26,394,794	5,440,987	

Detailed explanations that have been provided by the departments on the over-expenditure reflected in the table above have been included below (5. Exception Reporting - Departmental).

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 January 2018 the employees in the following functions worked overtime of more than 10 hours per week which is the maximum that may be allowed in terms of Council's revised overtime policy (**DMS 854249**). The detailed information is contained in Annexure AD (**DMS 1256740**).

The following table sets out the applicable information:

FUNCTION DESCRIPTION	OVERTIME AMOUNT	0.5 OVERTIME	1.0 OVERTIME	1.5 OVERTIME	2.0 OVERTIME	NO OF EMPL
Solid Waste Removal Total	23,520.00	-	-	-	784.00	-
Project Management Unit - Expanded Public Works Programme Total	9,120.00	-	-	-	304.00	-
Fire Fighting and Protection Total	11,925.00	150.00	120.00	-	-	-
Supply Chain Management Total	779.04	-	-	-	8.00	-
Project Management Unit - Expanded Public Works Programme Total	720.00	-	-	-	24.00	-
Solid Waste Removal Total	2,160.00	-	-	-	72.00	-
Fire Fighting and Protection Total	4,743.41	66.00	42.00	-	0.75	-
Sewerage - Sewerage Network Total	1,928.20	-	-	10.00	10.00	-
Project Management Unit - Expanded Public Works Programme Total	2,160.00	-	-	-	72.00	-
Sewerage - Pumpstations Total	6,865.44	-	-	30.00	48.00	-
Fire Fighting and Protection Total	3,180.32	222.00	126.00	-	0.75	-
Sewerage - Sewerage Network Total	2,178.92	-	-	8.50	16.00	-
Recreational Facilities - Swimming Pools Total	31,731.84	-	-	-	288.00	-
Fleet Management Total	1,582.40	-	-	10.00	4.00	-
Administrative and Corporate Support Total	5,145.42	-	-	6.00	24.00	-
Grand Total	107,739.99	438.00	288.00	64.50	1,655.50	-

7.2 Volume of Transfers

Type of Transfer of Funds	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Total Number of Transfers
Capital	0	13	11	9	11	32	34	110
Operating	4	38	99	40	158	45	12	396
Total	4	51	110	49	169	77	46	506

Department	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Total Value of Transfers
City Development	-	2,000	-	369,900	47,600	232,300	44,500	696,300
Community Services - Health and Public Safety	-	27,000	1,611,000	970,300	990,900	2,168,400	1,821,000	7,588,600
Corporate Services	61,000	785,500	12,864,700	909,000	1,215,200	26,625,700	1,826,700	44,287,800
Financial Services	15,000	24,100	1,427,000	4,500	133,600	2,721,000	-	4,325,200
ITS - Electrical Supply Services	-	8,000	26,347,100	13,933,500	12,784,500	14,596,300	2,000,000	69,669,400
ITS - Engineering Support Services	-	426,900	1,583,200	800	180,000	615,900	-	2,806,800
ITS - Roads and Stormwater	14,000	1,947,400	10,059,500	560,000	4,760,700	3,932,300	-	21,273,900
ITS - Water and Sanitation Services	-	18,700	25,500,800	231,600	42,901,400	12,994,000	829,000	82,475,500
Office of The Municipal Manager	-	-	1,671,500	15,000	480,700	52,500	47,000	2,266,700
Total	90,000	3,239,600	81,064,800	16,994,600	63,494,600	63,938,400	6,568,200	235,390,200

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

7.3 Exception reporting - Specific Line items

Security services - 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	
LINE ITEM	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	ACTUAL YTD	PRO-RATA BUDGET JANUARY 2018	ACTUAL YTD 31/01/2018
	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	17,500,000	27,206,419

The spending patterns per department are as follows:

DEPARTMENT	ADOPTED BUDGET 2017/2018	PRO-RATA BUDGET (YTD)	JAN ACTUAL (YTD)	% OF ADOPTED BUDGET OVERSPENT
	R	R	R	R
CITY DEVELOPMENT	1,308,300	763,175	1,251,941	164%
COMMUNITY SERVICES	13,191,700	7,695,158	11,124,190	145%
CORPORATE SERVICES	3,919,100	2,286,142	4,676,482	205%
FINANCIAL SERVICES	1,635,300	953,925	1,417,506	149%
ENERGY AND ELECTRICAL SOURCES	2,081,300	1,214,092	2,054,734	169%
INFRASTRUCTURE SERVICES	7,864,300	4,587,508	6,681,566	146%
TOTAL	30,000,000	17,500,000	27,206,419	155%

It is apparent from the information contained in the table above that the 2017/18 Approved Adopted Budget will not be sufficient. The Departments concerned needs to investigate the possible reduction of expenditure. The security services that are currently being paid for and either reduce or provide additional funding to ensure that sufficient budget is available to meet the monthly contractual obligations.

The Deputy Municipal Manager: Community Services has drafted a report (RPT 163634) on the analysis of security expenditure and will be recommending certain cost cutting measures.

8. EXCEPTION REPORTING - DEPARTMENTAL

8.1.1 Community Services, Health and Public Safety and Recreational and Environmental Services

8.1.2 Overtime

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES AND HEALTH											
FX012001001	Police Forces, Traffic and Street Parking Control	37,200	3,595,400	49,500	3,682,100	2,147,892	933,858	1,196,672	54,659	2,185,189	(37,297)
FX005001012	Security Services	161,300	-	204,300	365,600	213,267	40,033	-	177,319	217,352	(4,086)
FX012001005	Taxi Ranks	109,500	-	-	109,500	63,875	81,431	-	-	81,431	(17,556)
FX014001003	Solid Waste Removal	99,200	6,587,400	-	6,686,600	3,900,517	9,360	4,695,940	-	4,705,301	(804,784)
Total		407,200	10,182,800	253,800	10,843,800	6,325,550	1,064,682	5,892,612	231,978	7,189,273	(863,723)

❑ Police Forces, Traffic and Street Parking and Security Services

Overtime worked by Public Safety and Security was catered for during the 2017/2018 budget planning process. However, Public Safety and Security Section has been inundated with a lot of unplanned events in December, where it necessitated the deployment of personnel at *ad hoc* including special operations such as alcohol road blocks etc. The roads network need extensive coverage even during the public holidays i.e. 16, 25 and 26 December ect. The last dance and the Beach festival events are gaining a lot of momentum and popularity, thus attracting a lot of tourists/visitors which requires special attention in regards to law-enforcement among other things. Moreover the work of the Traffic Officers and Traffic wardens is work classified as an essential service. Such work cannot be avoided or interrupted in a significant way as this would potentially lead to unsafe conditions and loss of lives in local communities.

❑ **Solid Waste Removal, Street Cleansing and Public Toilet**

Cleaning of taxi ranks, ablution facilities and refuse removal is critical and essential in ensuring that our Municipality is kept clean at all times, while at the same time generating funds through refuse removal from businesses. Furthermore, overtime is only applicable during weekends in this Section. Staffs worked in the month has not increased, therefore expenditure may be due to the fact that there were 5 weekends in that month. Section will continue to monitor this line item.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES RECREATION											
FX013001001	Beaches and Jetties	-	205,400	-	205,400	119,817	-	162,686	-	162,686	(42,870)
FX013002003003	Recreational Facilities - Swimming Pools	100,000	450,000	-	550,000	320,833	3,967	369,080	-	373,046	(52,213)
FX013001002	Community Parks (including Nurseries)	-	91,700	-	91,700	53,492		97,354	-	97,354	(43,862)
Total		100,000	747,100	-	847,100	494,142	3,967	629,120	-	633,087	(42,870)

❑ **Community Parks (Including Nurseries)**

Due to the backlog on complaints from the members of the public, additional work had to be performed on weekends to improve service delivery after severe storms. In particular, between September and October 2017 this Region experienced severe adverse weather conditions (Gale Force Winds) that resulted in the number of trees being blown over or uprooted and blocking the flow traffic.

This department was then mandated to clear all the vegetation debris, as result long hours had to be worked during the week and on weekends to overcome the workload, hence unscheduled overtime had to be organised during this period to improve or clear vegetation debris as per our operational requirements.

8.2 Corporate Services

8.2.1 Overtime

CORPORATE SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ADMINISTRATION											
FX005001001	Administrative and Corporate Support	369,700	-	169,300	539,000	314,417	194,857	23,314	114,498	332,668	(18,251)

8.3 Energy and Electricity Sources

8.3.1 Overtime

ELECTRICITY AND ENERGY SOURCES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ENERGY SOURCES											
FX002001001001	Marketing and Customer relations	-	-	-	-	-	68,340	-	-	68,340	(68,340)
FX002001002001	Street Lighting	189,000		-	189,000	110,250	320,359	-	-	320,359	(210,109)
Total		189,000	-	-	189,000	110,250	388,699	-	-	388,699	(278,449)

□ **Electricity Distribution and Street Lighting**

There was a total of 277 call out receives for the month of January 2018. This means 260 number of call outs were mainly on meter faults and no power calls which were small scale outages affecting residential customers. The other 17 power interruptions were the Medium Voltage failures which were mainly on cable faults and overhead lines. These types of faults take an average of 4 Hours to restore including the traveling time and depending on the complexity and nature of the fault.

8.4 Infrastructure Services

8.4.1 Overtime

INFRASTRUCTURE SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ENGINEERING SUPPORT SERVICES											
FX005001005	Fleet Management	571,200	-	-	571,200	333,200	355,398	2,098	-	357,496	(24,296)
FX001001005001	Building Maintenance	53,800	-	-	53,800	31,383	36,789	2,546	-	39,335	(7,952)
Total		571,200	-	-	571,200	333,200	355,398	2,098	-	357,496	(24,296)

❑ **Fleet Management**

Comments on Fleet Overtime as follows:

- Age of the Fleet , resulting in more frequent break downs
- Lack of adhering to Capital replacement programs have resulted in older vehicles being kept in service requiring more maintenance, with the resultant break downs.
- Tyre failures as a result of punctures and Blow outs, the past Quarter saw a total of 391 tyre related works being attended to.
- Fleet being required to provide Stand-By Generators, without Departments providing a budget against which costs can be reclaimed.
- The size of the operational area, which adds to traveling time, if a person gets called to attend breakdown in e.g. Ntambanana, traveling time alone would result in approximately an hour.
- Complexity of repairs, as vehicles get older more comprehensive repairs are required
- All overtime is scrutinized and approved by the Workshop Manager
- Mechanical Workshop have to attend all accidents and oversee the safe removal of vehicles from site, this can be a lengthy exercise, as break down recovery vehicles have to Regular meetings has been held with Fleet Workshop Manager to curtail overtime as much as possible

INFRASTRUCTURE SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R		R	R	R	R		R	R
TRANSPORT, ROADS AND STORMWATER											
FX012001004002	Roads - Urban Roads	10,800	-	-	10,800	6,300	138,975	-	-	138,975	(132,675)
FX012001004003	Roads - Rural Roads	5,400	8,100	-	13,500	7,875	1,380	11,114	-	12,494	(4,619)
Total		10,800	-	-	10,800	6,300	138,975	-	-	138,975	(132,675)

□ **Urban Roads**

On 25 August 2017, the John Ross Highway collapsed near the Mondi Intersection (Mondi Robots). The Department of Transport (DOT) could not attend to the incident immediately. City of uMhlathuze had to respond urgently to close off the John Ross Highway to make it safe and prevent any accidents from happening.

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R		R	R	R	R		R	R
WATER AND SANITATION SERVICES											
FX015001002002	Sewerage - Pumpstations	780,200	-	99,700	879,900	513,275	604,197	37,760	62,385	704,342	(191,067)

□ **Sewerage - Pumpstation**

Critical pump stations inspected over weekends (uMhlathuze Village 2, Hillview, Aquadene 1, Velde n vlei main, M/S Main, and Arboretum main). This is a temporary arrangement until the problematic pumpstations are upgraded. The pump stations are near residential areas; this measure is taken to prevent residents from being exposed to sewer and any contamination that could be caused by an overflow. Arboretum and Alton Macerator – there is a shortage of staff at both Macerators. Staffs are required to work double shifts when staffs are off sick/leave. The stuff is has now changed to work shifts as accordance to municipal structure of 12 hour shifts and shift allowance. There are blockages, overflows and electrical problems. Personnel called out after hours at various pumpstations.

9. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1256743**) 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

10. DEBTORS ANALYSIS

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

11. CREDITORS ANALYSIS

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

12. INVESTMENT PORTFOLIO ANALYSIS

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

13. 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 January 2018.

14. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

15. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 January 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**).

16. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1259167** (**Annexure AE**).

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 including the comments on the mSCOA project.

COMMENTS OF THE MUNICIPAL MANAGER

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

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 31 January 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 1256743)** be noted;
2. the overtime hours worked above the maximum allowed hours of 10 per week under point 4.1 of the report be condoned; and
3. the comments on the Municipal Standard Chart of Accounts (mSCOA) project status included under point 3.1 of the report be noted.