

9626

MONTHLY FINANCIAL REPORTING AS AT 31 AUGUST 2014

This report served before the Financial Services Portfolio Committee on 25 September 2014. The report was noted.

PURPOSE

To submit to Council the financial position of the uMhlathuze Municipality as at 31 August 2014, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

Annexures pertaining to the report is circulated under separate cover.

IDP STRATEGY AND OBJECTIVES

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

BACKGROUND

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. National Treasury has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out.

Furthermore, National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from July 2010.

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of Municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

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

“A detailed plan approved by the mayor of a municipality in terms of section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month August 2014 is included under **Annexures Z and AA (DMS 986817)**.

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.

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1. MAYOR'S REPORT

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

- “(a) *a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;*
- (b) *a summary of any financial problems or risks facing the municipality or any such entity; and*
- (c) *any other information considered relevant by the Mayor.”*

Monthly Report - August 2014

The monthly budget statement summary (Table C1) for the month of August 2014 (year to date actual), shows a surplus of R12,1 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well.

Capital Expenditure

Council approved a Capital Budget of R 420 million in May 2014. Included in the Adopted Capital Budget were Roll over/ Additional projects that amounted to R 160 million. Capital spending on these projects continued in the subsequent months therefore the Draft Adjusted Capital Budget for the 2014/15 financial year has been reduced by R 36 million to R 383 million.

Council is at the beginning of the financial year and capital expenditure is at R30,1 million (7,87%). This is based on the Draft Adjusted Capital Budget of R 383 million. At the end of August 2014 an amount of R107,6 million is shown for orders that have been placed, but payment will only take place in the subsequent months.

The report is noted with appreciation and it is requested that administration continues to report progress on Council's finances

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. EXECUTIVE SUMMARY

3.1 Operating Budget

The following table represents an executive summary for the financial period ended 31 August 2014:

DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	TARGET ACHIEVED
	R'000	R'000	R'000	%
Receiving (excluding capital grants)	2 370 558 500	395 093 083	421 483 323	107%
Expenditure	2 363 247 300	393 874 550	409 352 064	104%
	7 311 200	1 218 533	12 131 259	

As can be seen from the table above, Actual Surplus for the month ended 31 August 2014 is higher than the Budgeted Surplus.

Actual revenue to Budgeted revenue has exceeded the budget. Actual expenditure to Budgeted expenditure has exceeded its budgetary limits.

Actual expenditure has increased primarily due to Bulk Purchases – Electricity and the same is applicable to Actual Revenue. Refer to section 3.4 and 3.5 further on in this report for explanations.

3.2 Cash Flow Situation

Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 31 AUGUST 2014	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL) / SURPLUS AT 31 AUGUST 2014
	R,000	R'000	R'000	%
Conditional Grants and unspent loans	183 493 000	183 493 000	183 493 000	-
Workings Capital	352 751 000	191 729 000	383 458 000	(30 707 000)
Total (incl investments	536 244 000	375 222 000	566 951 000	(30 707 000)

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 sits currently at 1,84:1 (352 751/191 729).

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: [(195 244 – 135 747) + 341 000) / (2 363 247 -182 390 – 3 050)/12] which currently sits at 2,21:1.

It therefore needs to be noted that both in terms of Council's Policy and the National Treasury MFMA Circular 71, the City of uMhlathuze has suitable cash coverage.

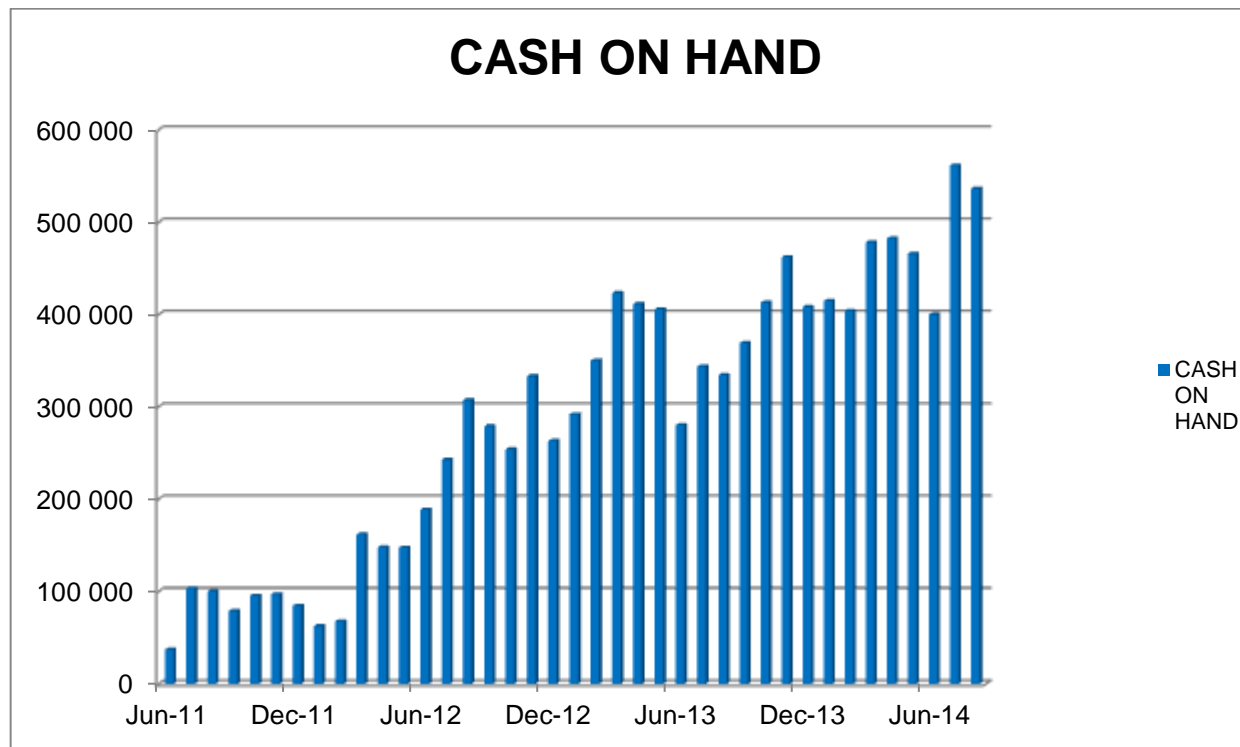
DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	TOTAL TO BE RECEIVED AS AT 31/08/2014	AMOUNT RECEIVED AS AT 31/08/2014	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/08/2014	% SPENT	COMMENTS
NATIONAL TREASURY								
Equitable Share	81 066 000	-	81 066 000	81 066 000	-	81 066 000	100%	
Municipal Infrastructure Grant	30 377 000	-	30 377 000	30 377 000	-	11 666 224	38%	This expenditure is as per claims submitted to COGTA
Municipal Systems Improvement Grant	-	930 000	930 000	930 000	-	-	0%	
Financial Management Grant	1 600 000	-	1 600 000	1 600 000	-	218 976	14%	
Municipal Water Infrastructure Grant	-	4 712 000	4 712 000	4 712 000	-	-	0%	
Water Services Operating Subsidy	-	3 500 000	3 500 000	3 500 000	-	-	0%	
Integrated National Electrification Grant	5 775 000	2 225 000	8 000 000	8 000 000	-	8 563 540	107%	Expenditure was incurred in the 2013/2014 financial year.
Rural Households Infrastructure Grant	2 000 000	-	2 000 000	-	2 000 000	-	0%	Advised by National Treasury delays have been experienced. Transfer to take place soon.
Extended Public Works Programme	-	758 000	758 000	758 000	-	15 894	0%	
Infrastructure Skills Development Grant	4 036 000	-	4 036 000	4 036 000	-	984 460	24%	The 2013/2014 grant was over-spent by R989 400. This expenditure has been recovered from the 2014/2015 allocation.
TOTAL NATIONAL TREASURY GRANTS	124 854 000	12 125 000	136 979 000	134 979 000	2 000 000	102 515 093	76%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	TOTAL TO BE RECEIVED AS AT 31/08/2014	AMOUNT RECEIVED AS AT 31/08/2014	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/08/2014	% SPENT	COMMENTS
PROVINCIAL TREASURY								
Provincialisation of Libraries	-	-	-	-	-	2 736 384	0%	The SLA has not been finalised. Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	-	-	-	-	-	100 798	0%	The SLA has not been finalised. Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Libraries for the period.
Housing Operating Account	1 073 120	-	1 073 120	1 073 120	-	2 628 458	245%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	-	-	-	265 492	0%	Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Museum.
Clinic Services	-	-	-	-	-	3 583 999	0%	The SLA has not been finalised. Grant funding expected in August 2014. Expenditure shown is the total operating cost of the clinics for the period.
Informal Traders	-	-	-	3 000 000	(3 000 000)	1 533 126	51%	Funds were to be received in 2013/2014 financial year. Only received in August 2014
Tourism Development	-	-	-	3 000 000	(3 000 000)	-	0%	Funds were to be received in 2013/2014 financial year. Only received in August 2014
TOTAL PROVINCIAL TREASURY GRANTS	1 073 120	-	1 073 120	7 073 120	(6 000 000)	10 848 258	153%	
TOTAL GRANTS AND SUBSIDIES	125 927 120	12 125 000	138 052 120	142 052 120	(4 000 000)	113 170 137	80%	

Bank Balance Trend since June 2011

Table:

	Jun-11	May-13	Jun-13	July-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	June-14	July-14	Aug-14
	R' 000	R' 000	R' 000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash On Hand	37 142	405 663	280 396	343 845	334 581	368 944	412 940	462 070	408 143	414 642	404 080	478 000	482 637	465 696	399 897	561 308	536 244



The cash flow situation is still a critical aspect for the Municipality and is being constantly monitored. As mentioned previously the situation is gradually improving. However, the liquidity ratios have almost reached the acceptable standard norms but still need to be monitored on a continuous basis.

3.3 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 31 August 2014 (7,87%).

FUNCTION	ADOPTED BUDGET 2014/2015	DRAFT ADJUSTMENT BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL AUG 2014 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Executive and Council	211 300	211 300	-	315	0%	0%
Budget and Treasury Office	5 463 900	5 463 900	-	-	0%	0%
Corporate Services	47 487 200	43 952 600	4 012 366	5 812 604	13%	145%
Community and Social Services	26 937 700	23 198 600	3 150 600	860 685	4%	27%
Sport and Recreation	32 162 000	20 906 500	1 350 000	388 035	2%	29%
Public Safety	27 662 500	26 250 600	3 417 325	510 471	2%	15%
Housing	22 441 700	21 888 500	2 800 000	1 919 890	9%	69%
Health	8 115 000	8 052 900	114 600	3 852	0%	3%
Planning and Development	168 000	116 000	-	-	0%	0%
Road Transport	20 607 100	18 548 500	1 580 000	392 496	2%	25%
Electricity	56 030 600	44 940 100	18 609 454	6 601 686	15%	35%
Water	88 124 800	85 324 200	16 169 675	6 666 846	8%	41%
Waste Water Management (Sanitation)	79 451 700	78 401 700	9 672 566	6 992 372	9%	72%
Waste Management (Solid Waste)	4 998 300	5 957 300	763 000	-	0%	0%
TOTAL	419 861 800	383 212 700	61 639 586	30 149 252	7.18%	49%

The Adopted Budget of R419 861 800 has decreased by R36 649 100 to a Draft Adjustment Budget amount of R383 212 700. This decrease is due to projects that were rolled-over from 2013/2014 to the 2014/2015 financial year with the anticipation that these projects were to be spent in the 2014/2015 financial year. However, a portion of these projects were spent in the 2013/2014 financial year thus reducing the available funds for the 2014/2015 financial year.

The table below sets out the capital budget and expenditure for the function, Community and Social Services and Public Safety:

DESCRIPTION	ADOPTED BUDGET 2014/2015	DRAFT ADJUSTMENT BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL AUG 2014 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Cemetaries	2 100 000	2 100 000	-	2 920	0%	0%
Community Halls	6 722 300	5 862 700	1 710 500	408 009	7%	24%
Libraries	9 387 900	9 189 400	805 000	310 727	3%	39%
Museums	19 000	7 200	-	1 295	18%	0%
Municipal Buildings	5 166 700	6 039 300	135 100	11 537	0%	9%
Commuter Facilities	3 541 800		500 000	126 197	0%	25%
COMMUNITY AND SOCIAL SERVICES	26 937 700	23 198 600	3 150 600	860 685	4%	27%
Fire	16 538 900	15 295 800	2 504 700	428 424	3%	17%
Traffic	-	93 600		82 047	88%	0%
Police	64 000	64 000	-	-	0%	0%
Street Lighting	11 059 600	10 797 200	912 625	-	0%	0%
PUBLIC SAFETY	27 662 500	26 250 600	3 417 325	510 471	2%	15%

The total adopted capital budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2014/2015	DRAFT ADJUSTMENT BUDGET 2014/2015	ACTUAL AUG 2014 (YTD)	% OF DRAFT ADJUSTME NT BUDGET SPENT
External Loans	144 738 000	132 293 000	5 193 910	3.59%
Capital Replacement Reserve	103 911 300	96 776 100	7 864 820	7.57%
MIG	88 106 100	88 106 100	12 173 283	13.82%
Other National Government Grants	31 350 000	31 350 000	1 469 648	4.69%
Provincial Government Grants	37 764 800	25 877 200	2 046 088	5.42%
Public Contributions	11 182 000	7 407 400	1 083 958	9.69%
Reserves	2 809 600	1 402 900	317 545	11.30%
TOTAL	419 861 800	383 212 700	30 149 252	7.18%

The table below reflects a list of all tenders awarded in August 2014:

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/989	156097	Construction of Pedestrian Bridges and Walkways at Matshana – Ward 24	30/07/2014	576 179,54	222/672/81	580 000
8/2/1/932	156059	Appointment of Consultants for the Design and Project Management of eSikhaleni Sports complex Lighting	Tender Cancelled and re-advertised			
8/2/1/978	156401	Supply and Commissioning of IBM V3700 SAN for Municipal ICT Disaster Recovery	06/08/2014	497 029	282/536/43	2 476 500
8/2/1/849	156270	Structural Upgrade and Roofing at Empangeni Depot	Item Referred Back			
8/2/1/772	155051	Rendering of Cleaning services at Various Municipal Buildings – cancellation and re-advertisement	Tender Cancelled and re-advertised			
8/2/1/904	155049	Supply, Installation and Servicing of Hygiene Equipment and all consumables at various Municipal buildings (Rental or Outright Purchase of Equipment) – Cancellation and Re-advertisement.	Tender Cancelled and re-advertised			
8/5/1/57	155675	Construction of 20ML Reservoir for Hilltop	06/08/2014	36 506 408,41	260/684/19	27 136 100 (shortfall of R9 million – funding to be sourced)

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/947	156269	Construction of Ablution Facility at Endesheni Sportfield	13/08/2014	442 091,64	224/632/18	1 919 500
8/2/1/1008	156583	Proposals for the supply, Installation, Commissioning and Skills Transfer of Network infrastructure (Phase 3)	20/08/2014	3 188 619,10	282/536/79	3 200 000
8/2/1/988	156545	Municipal Publications (uMhlathuze Wami) Formerly uMhlathuze News, executive Summary and adhoc for the period 1 August 2014 to 31 July 2017	Tender not awarded and re-advertised			
8/2/1/945	156072	Alienation of Erf 16592 and 16600, Commercial 3, Central Business District, Richards Bay by Public Tender	20/08/2014	Erf 16592 – 3 650 000 Erf 16600 – Re-Advertised	Revenue - 145/441/206	
8/2/1/932	156059	Appointment of consultants for the Design and Project Management of eSikhaleni Sports Complex Lighting	Tender cancelled and re-advertised			
8/2/1/827	156595	Design, Supply, Delivery, Installation and Commissioning of a New 11kV Switchboard and Associated Works for Formalhaut Substation	Tender not awarded and re-advertised – insufficient funds on budget			
8/2/1/826	156598	Design, Supply, Delivery, Installation and Commissioning of a New 11KV Switchboard and Associated Works for Castor Substation	Tender not awarded and re-advertised			

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/975	156513	Expansion of the Alkantstrand Beach Recreation Area into the Newark Beach Node	Tender not awarded and re-advertised			
8/2/1/977	156515	Audits on the Remainder of Business Prepaid and Residential Conventional Meters for the City of uMhlathuze from 1 August to 31 October 2014	Tender Cancelled due to non-responsive tenders			
8/2/1/905	156503	Design, Supply, Erection, Maintenance and Operation of Illuminated Ground Signs (Billboards) for a Five-Year Period at Three (3) Council Approved Sites	27/08/2014	223 228	Revenue	
8/2/1/905	156451	The Supply, Installation, Operation and Maintenance of Seven (7) Indoor Electronic Advertising Screens within Municipal Offices, uMhlathuze over a Five Year Period	27/08/2014	96 344	Revenue	

3.4 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	% OF PRO- RATA BUDGET
Employee related costs	583 140 900	97 190 150	91 268 931	94%
Remuneration of Councillors	23 176 400	3 862 733	3 612 097	94%
Debt Impairment	3 050 000	508 333	508 333	100%
Depreciation and Offsetting of depreciation	182 389 600	30 398 267	30 398 250	100%
Finance Charges	77 614 000	12 935 667	12 935 667	100%
Bulk Purchases - Electricity	1 006 862 700	167 810 450	188 055 755	112%
Bulk Purchases - Water	89 639 700	14 939 950	21 148 359	142%
Other Materials	34 702 200	5 783 700	3 569 669	62%
Contracted Services	159 668 900	26 611 483	26 258 064	99%
Transfers and grants	13 749 100	2 291 517	1 255 656	55%
Other Expenditure	189 253 800	31 542 300	30 341 283	96%
TOTAL	2 363 247 300	393 874 550	409 352 064	104%

The above table represents operating expenditure per category incurred as at 31 August 2014.

Bulk Purchases – Electricity: Electricity purchases are higher in July and August due to the increase tariff charged by Eskom in the winter months. Tata Steel did not operate during the month of July 2014 and August 2014. Included in Electricity purchases is an amount of R30 million and R 25 million for July 2014 and August 2014 respectively in terms of the Generation Purchase agreement with Mondi. A corresponding increase in Revenue is apparent under Service Charges – Electricity.

Bulk Purchases – Water: A surcharge on Water amounting to R4 million was charged by Mhlathuze Water for water purchased in July 2014 and August 2014 as Council extracted more water than normal.

3.5 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	% OF PRO- RATA BUDGET
Rates	314 000 000	52 333 333	55 062 208	105%
Service Charges – Electricity revenue	1 385 000 000	230 833 333	260 436 865	113%
Service Charges – Water revenue	204 600 000	34 100 000	35 991 775	106%
Service Charges – Sanitation revenue	78 000 000	13 000 000	13 043 236	100%
Service Charges – Refuse revenue	62 000 000	10 333 333	10 557 011	102%
Service Charges – Other revenue	12 561 200	2 093 533	2 040 901	97%
Rental of facilities and equipment	8 233 800	1 372 300	2 470 238	180%
Interest earned – external investments	10 605 000	1 767 500	691 813	39%
Interest earned – outstanding debtors	1 542 000	257 000	240 756	94%
Fines	8 877 200	1 479 533	1 899 247	128%
Licences and permits	1 727 700	287 950	308 150	107%
Agency services	6 350 000	1 058 333	1 102 417	104%
Operating Grants and Subsidies	260 508 600	43 418 100	35 330 717	81%
Other Revenue	16 553 000	2 758 833	2 307 989	84%
TOTAL	2 370 558 500	395 093 083	421 483 323	107%

The above table represents operating revenue per category as at 31 August 2014.

3.6 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2014/2015			ACTUAL AS AT 31 AUGUST 2014		
	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	165 300	414 200	(248 900)	27 500	5 701 265	(5 673 765)
Budget and Treasury Office	335 480 400	1 348 600	334 131 800	57 698 477	(2 208 486)	59 906 963
Corporate Services	8 671 000	50 241 500	(41 570 500)	942 790	6 276 674	(5 333 884)
Community and Social Services	9 764 500	49 704 564	(39 940 064)	513 438	7 475 771	(6 962 333)
Sport and Recreation	2 310 600	117 103 688	(114 793 088)	1 023 899	17 630 959	(16 607 060)
Public Safety	9 727 300	113 527 700	(103 800 400)	2 043 731	17 384 452	(15 340 721)
Housing	8 226 100	15 312 900	(7 086 800)	832 723	2 280 081	(1 447 358)
Health	12 166 400	37 705 948	(25 539 548)	418 383	5 385 040	(4 966 657)
Planning and Development	1 411 800	38 151 300	(36 739 500)	269 517	7 736 878	(7 467 361)
Road Transport	10 883 500	124 274 000	(113 390 500)	1 762 310	24 629 293	(22 866 983)
Water (Portion of PMU funded by Rates and General Services)	2 505 350	5 617 050	(3 111 700)	-	680 734	(680 734)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates and General Services)	2 505 350	7 329 050	(4 823 700)	-	872 390	(872 390)
Total Rates and General Services	403 817 600	560 730 500	(156 912 900)	65 532 768	93 845 051	(28 312 283)
Airport	441 300	902 700	(461 400)	-	104 300	(104 300)
Trading Services						
Electricity	1 392 658 000	1 246 892 800	145 765 200	261 618 189	225 423 008	36 195 181
Water	287 304 800	318 264 600	(30 959 800)	46 267 204	51 908 842	(5 641 638)
Clarified Water	15 250 000	15 107 800	142 200	2 591 387	6 094 613	(3 503 226)
Sewerage	167 811 800	124 756 100	43 055 700	28 024 140	17 308 590	10 715 550
Refuse Removal	103 275 000	96 592 800	6 682 200	17 449 635	14 667 665	2 781 970
Total Trading Services	1 966 299 600	1 801 614 100	164 685 500	355 950 555	315 402 718	40 547 837
Total Service Category	2 370 558 500	2 363 247 300	7 311 200	421 483 323	409 352 069	12 131 254

NOTES:

OFFICIAL FINAL VERSION

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The table above sets out the surplus and deficit for each service category. It is important to note that although all the trading services namely Electricity, Water, Sewerage and Refuse Removal are supposed to be profitable, only Electricity, Sewerage and Refuse Removal 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 or increasing revenue.

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

3.7 Debtors Age Analysis

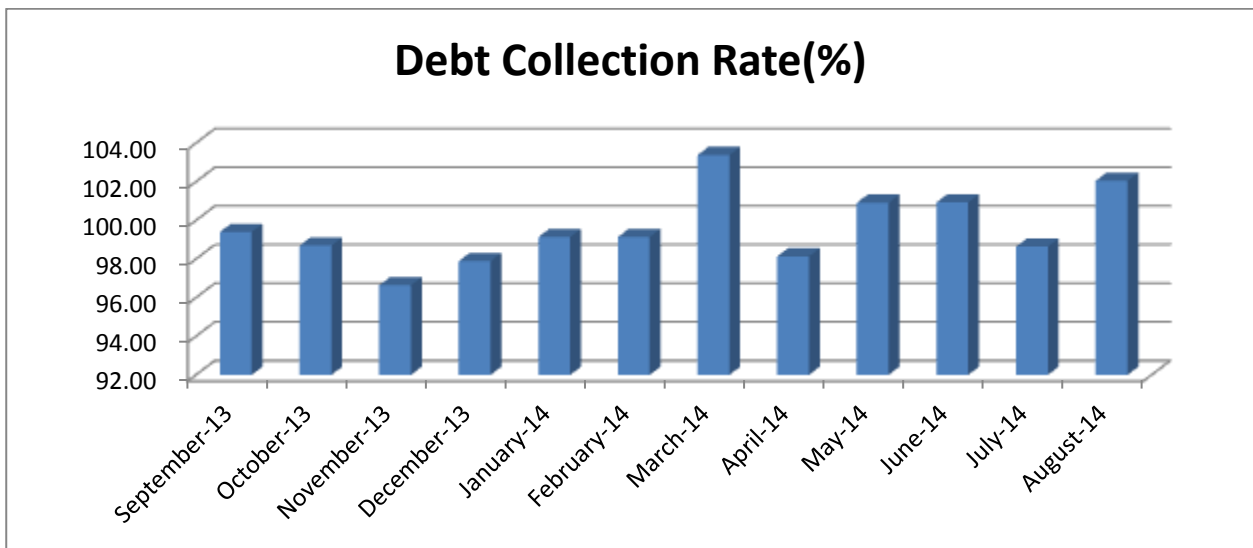
➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	18 087 680	153 714	94 097	1 965 770	20 301 261
Business	212 294 255	4 376 997	757 232	32 587 395	250 015 879
Households	39 849 860	1 599 441	1 699 919	36 758 334	79 907 554
Other	4 651 740	545 715	686 736	10 980 968	16 865 159
Total	274 883 535	6 675 867	3 237 984	82 292 467	367 089 853
%	74.88%	1.82%	0.88%	22.42%	

➤ **Debt Collection Rate**

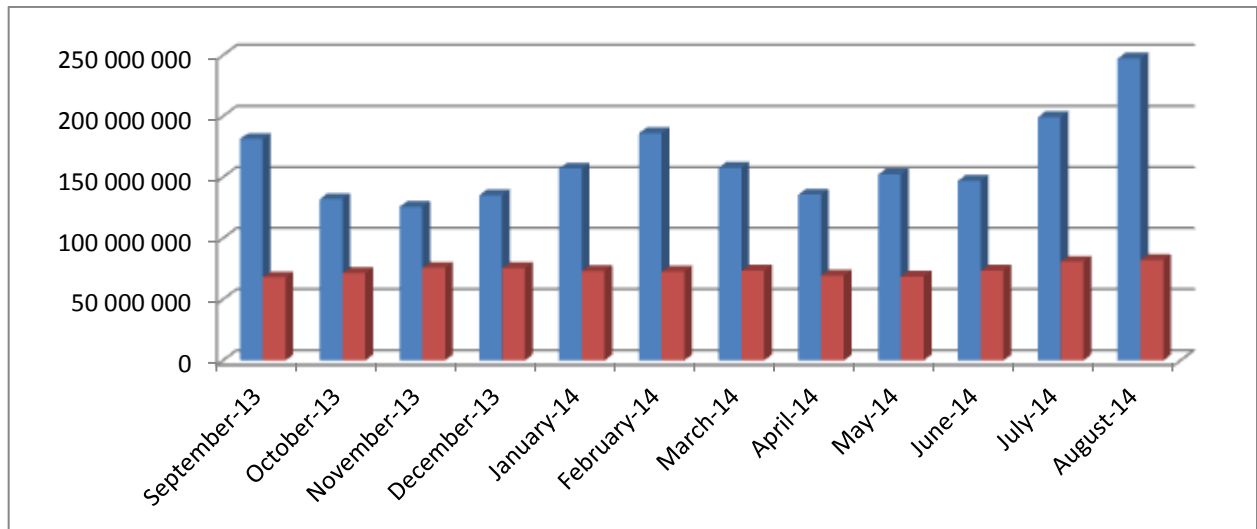
The debt collection rate for the previous 12 months is as follows:

DEBT COLLECTION RATE PER MONTH	PERCENTAGE %
August 2014	102.05
July 2014	98.64
June 2014	100.93
May 2014	100.91
April 2014	98.14
March 2014	100.72
February 2014	103.38
January 2014	99.14
December 2013	97.89
November 2013	96.64
October 2013	98.69
September 2013	99.40



➤ **Monthly Billing Compared to Total Debtors 90 Days+**

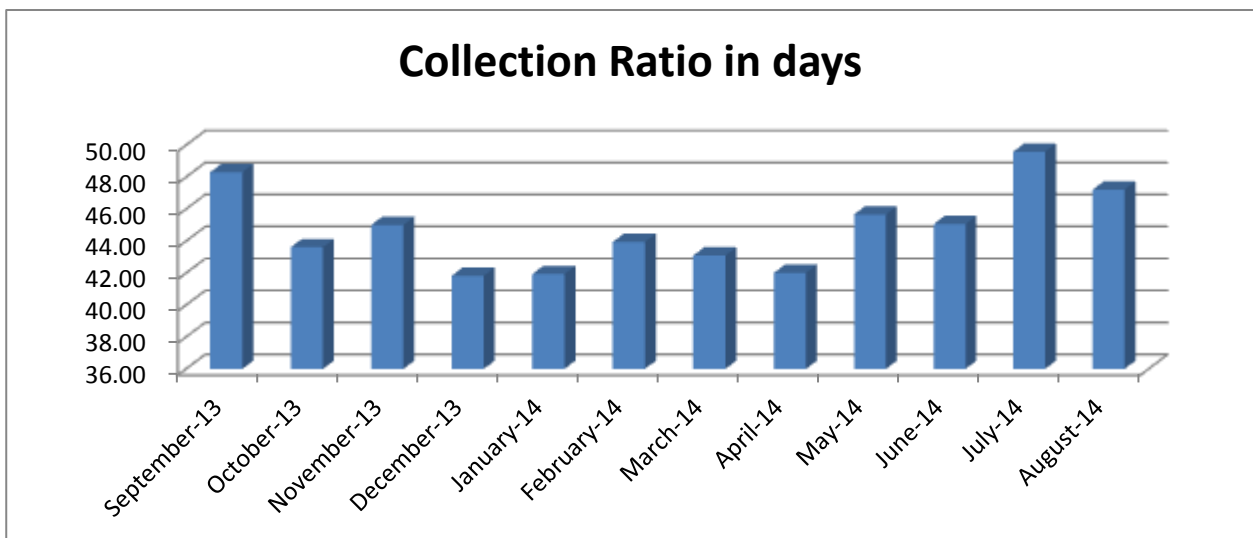
MONTH	MONTHLY BILLING	DEBTORS 90 DAYS +	PERCENTAGE %
August 2014	247 284 105	82 292 466	33.28%
July 2014	199 251 720	80 766 372	40.53%
June 2014	147 236 509	73 400 699	49.85%
May 2014	152 315 415	68 741 436	45.13%
April 2014	135 785 677	69 584 920	51.25%
March 2014	157 793 152	73 400 699	46.52%
February 2014	186 009 773	72 603 303	39.03%
January 2014	157 178 445	73 297 807	46.63%
December 2013	135 287 435	75 500 566	55.81%
November 2013	125 825 942	75 809 769	60.25%
October 2013	132 113 815	71 455 602	54.09%
September 2013	181 395 385	68 031 843	37.50%



➤ **Debt Collection Rate**

The debt collection ratio in days should be below 60 days. If the ratio is at 60 days it means that your debt older than 30 days is equal to your monthly billing.

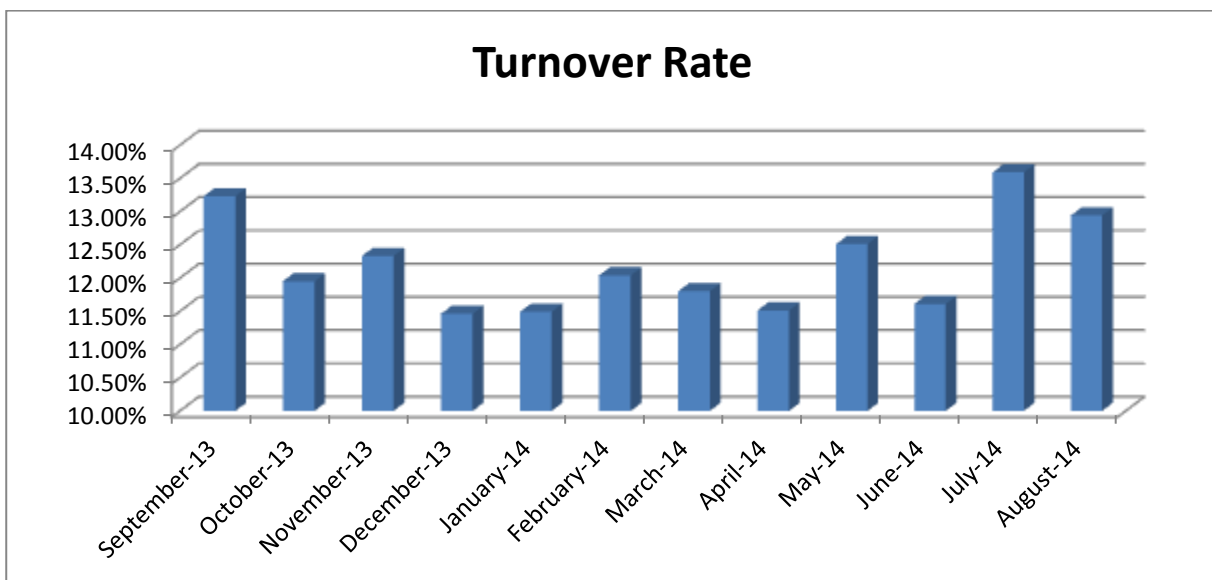
MONTH	COLLECTION IN DAYS
August 2014	47.22
July 2014	49.59
June 2014	45.06
May 2014	45.66
April 2014	42.00
March 2014	43.09
February 2014	43.94
January 2014	41.93
December 2013	41.83
November 2013	45.01
October 2013	43.61
September 2013	48.30



➤ **Turnover Rate of Debtors (%)**

In terms of the key performance indicators, the turnover rate should be below 20%. If everybody in town pays their debt fully, the turnover rate will be 8.33%. Council's turnover rate is listed below and it is better than the required key performance indicator.

MONTH	TURNOVER RATE
August 2014	12.94%
July 2014	13.59%
June 2014	11.61%
May 2014	12.51%
April 2014	11.51%
March 2014	11.80%
February 2014	12.04%
January 2014	11.49%
December 2013	11.46%
November 2013	12.33%
October 2013	11.95%
September 2013	13.23%



➤ **Summary of Credit Control Technical Actions Performed**

In terms of the key performance indicators, the turnover rate should be below 20%. If everybody in town pays their debt fully, the turnover rate will be 8.33%. Council's turnover rate is listed below and it is better than the required key performance indicator:

DESCRIPTION	Jun-14	Jul-14	Aug-14
SMS Notification	6121	6354	9501
Final Request - Residential	3052	3399	3387
Final Request - Business	226	365	252
Electricity Disconnection Level 1 (Switch Off Supply)	103	92	130
Electricity Disconnection Level 2. Remove Circuit Breaker	18	7	0
Illegal Consumption Inspection (Water or Electricity)	661	835	1060
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	663	648	741
Water Restriction Level 2. (Install water pressure reducing valve)	18	17	9
Water Disconnection (Business accounts)	16	68	24

➤ **Comments for Government Accounts**

The arrears 90 days+ for government accounts is restricted to just a few accounts on which there are either a dispute regarding ownership or the property is not verified yet by respective departments. The high amount in the current column is due to the annual rates being charged in July every year.

➤ **The Top 10 Arrear Business Accounts**

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	18 068 283	22 092 484	Basfour 3721 (Pty) Ltd / Indlowu Dev Trust Trustees is the account for some of the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate. The developer is currently disputing the amount. The matter has been handed over to Council's attorneys. Summons has been issued and the case is defended. The setting down of the court date by the Registrar of the High Court is awaited.
1929003	Zotec development (Pty) Ltd	4 011 291	4 011 291	Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Security Estate. The matter is currently still being handled by the Finance Department Staff and there are discussions and correspondence with the developers and their attorneys on the matter
1623456	Richards Bay IDZ	3 933 975	3 933 975	Richards Bay IDZ is in respect of the rental charged to the IDZ for the vacant site that they fenced in but did not utilise. The monthly rental was stopped, the outstanding balance is included in the sale price and should accordingly be written back
483703	Zululand Chamber of Business Foundation	3 303 805	3 949 473	Zululand Chamber of Business Foundation is for rental charged. The matter is currently also in dispute in court and awaiting a court date
1610626	Tisand (Pty) Ltd	2 114 933	2 200 197	Tisand (Pty) Ltd is in respect of the water surcharge being levied against the debtor. The matter is under dispute and is with Council's attorneys.
1162082	RBCD holdings (Pty) Ltd	1 984 575	1 984 575	RBCD Holdings is in respect of occupational rental on a property sold in the IDZ area. The matter is under dispute and are being handled by the City Development Department
416383	River Rock Invest (Pty) Ltd	1 212 190	1 290 370	River Rock Investments is in respect of unpaid charges in respect of rental that are under dispute. Matter still under consideration by legal services. They are paying their monthly charges excluding the disputed charge

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1451863	Pulp United (Pty) Ltd	833 672	1 111 554	Pulp United is for occupational rental. The transaction was cancelled but the cancellation orders were never issued. The whole amount will be written back when the cancellation order are received from City Development
392020	River Rock Invest (Pty) Ltd	825 692	1 006 306	River Rock Investments is in respect of unpaid charges in respect of rental that are under dispute. Matter still under consideration by legal services. They are paying their monthly charges excluding the disputed charge
1929028	PSE Development Initiatives (Pty) Ltd	629 119	629 119	PSE Dev Initiatives refers to an account for contribution charges after the development of certain low cost housing initiatives around Ngwelezane. The debtor paid R300 000 towards the debt and requested some leniency for the balance. A separate report will serve in this regard.
982886	Mcclelland Prop Dev	605 828	681 363	The account is in respect of rates and basic serves to an industrial property behind the Ngwelezane Hospital. The property previously belonged to Ithala. There is a dispute between the new owner and Ithala because it appears as if a large portion of the property was incorrectly deemed to be part of the traditional area and several private houses were constructed on the property, even over the property's access to the main road. The matter is currently under discussion with the debtor and his attorneys.

3.8 Employee Debt / Councillor Debt

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

Employee debt amounts to R177 286,53 as per **Annexure AB - DMS 986817**.

Councillor's debt amounts to R8 346,85 as per **Annexure AC - DMS 986817**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES – FOR ENTIRE MUNICIPALITY

The Chief Financial Officer will highlight what he deems are important observations on the operating expenditure in this Section, 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

Although total employee related expenditure is within budgetary limits, overtime expenditure has marginally exceeded its budgetary limits. Below is a table indicating overtime expenditure at the request of Council, which allows this expenditure to be monitored and managed on a monthly basis.

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R'000	R'000	R'000	R'000	%
Overtime	30 592	5 099	5 484	(385)	108%

The table below indicates the total number of overtime hours worked and the total number of temporary and permanent employees:

EMPLOYEES	JULY 2014		AUGUST 2014	
	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	25 402	731	29 857	728
Temporary	2 150	105	416	33
	27 552	836	30 272	761

Planned Repairs and Maintenance programmes should be standard practice for both infrastructure and movable assets such as Plant and Vehicles.

The table below represents the expenditure incurred on overtime for each department for the month August 2014. The relevant departments have supplied the comments for the over-expenditures incurred on overtime.

DEPARTMENT	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	(OVER) EXPENDITUR E	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
City Development	-	-	-	-	0%
Community Services	15 653 500	2 608 917	2 916 519	(307 602)	112%
Corporate Services	253 100	42 183	122 382	(80 199)	290%
Financial Services	114 200	19 033	16 038	2 995	84%
Infrastructure and Technical Services	14 570 800	2 428 467	2 428 620	(153)	100%
Office of the Municipal Manager	-	-	-	-	0%
Total	30 591 600	5 098 600	5 483 559	(384 959)	108%

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).

4.2 Volume of Transfers

Council has only commenced the financial year – and during the months July and August a total of 70 transfers of funds forms have been received by the budget office from the departments. Over the previous financial years the excessive use of the Virement Policy (transfer of funds), it is anticipated that the number and value of transfers will increase as the year progresses. This practice is a risk to proper planning and service delivery. Departments are therefore urged to refrain from this practice. Unnecessary and nice-to-have items should be avoided at all costs. Managers and Deputy Municipal Managers should scrutinise the transfers that are received for approval.

Type of Transfer of Funds	July 2014	August 2014	Total Number of Transfers
Capital	10	20	30
Operating	13	27	40
Total	23	47	70

The table below reflects the value of transfer of funds per department:

Department	July 2014	August 2014	Total Value of Transfers
Corporate Services	30 900	290 100	321 000
Community Services	133 300	306 000	439 300
Office of The Municipal Manager	1 100	-	1 100
City Development	-	312 000	312 000
Financial Services	-	11 200	11 200
IT S - Electrical Supply Services	65 600	3 817 000	3 882 600
IT S - Engineering Support Services	130 600	50 200	180 800
IT S - Roads and Stormwater	830 000	1 586 800	2 416 800
IT S - Water and Sanitation Services	97 000	212 500	309 500
Total	1 288 500	6 585 800	7 874 300

4.3 Capital Transfers

The table below reflects all the capital transfers received to date. In terms Section 5.12 – 5.14 of the Virement policy (**RPT 147986 - DMS 635065**) the capital transfers listed below must be approved by Council.

DEPARTMENT	CAPITAL VOTE TRANSFER FROM	CAPITAL VOTE TRANSFER TO	AMOUNT	RPT/COUNCIL RESOLUTION NUMBER
City Development	213/544/01	282/536/88	52 000	Report Pending
Community Service - Health and Public Safety	205/536/41	205/536/45	50 000	Report Pending
Community Service - Health and Public Safety	205/536/41	205/544/03	25 000	Report Pending
Community Service - Health and Public Safety	208/536/02	282/536/87	27 000	Report Pending
Community Service - Health and Public Safety	212/532/04	271/500/322	38 000	Report Pending
Community Service - Health and Public Safety	212/532/04	206/532/01	93 600	Report Pending
Community Service - Health and Public Safety	233/536/17	208/536/02	24 600	Report Pending
Community Service - Health and Public Safety	233/536/17	282/536/45	16 400	Report Pending
Community Services - Recreational and Environmental Services	204/632/03	273/6936/02	22 500	Report Pending
Community Services - Recreational and Environmental Services	223/532/03	219/532/162	105 000	Report Pending
Community Services - Recreational and Environmental Services	224/632/18	224/632/24	10 000	Report Pending
Community Services - Recreational and Environmental Services	227/532/17	227/536/04	11 200	Report Pending
Community Services - Recreational and Environmental Services	242/532/38	242/532/41	2 800	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/632/02	250/644/0	21 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/632/03	250/644/0	5 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/636/02	250/644/0	9 800	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/532/26	255/536/15	2 400	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/536/12	255/536/15	10 800	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	219/632/52	300 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	219/632/53	400 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/672/30	255/672/24	290 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/872/14	255/872/13	2 000 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/872/14	255/872/12	759 000	Report Pending
Infrastructure and Technical Services - Engineering Support Services	219/632/94	219/532/160	6 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/55	219/632/56	293 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/81	222/672/82	140 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/600/117	270/600/02	48 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	234/544/01	282/536/62	39 500	Report Pending
Infrastructure and Technical Services - Water and Sanitation	274/536/0	274/532/02	16 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	274/536/0	219/532/80	11 600	Report Pending
Infrastructure and Technical Services - Water and Sanitation	287/536/01	274/536/07	104 000	Report Pending

5. **EXCEPTION REPORTING - DEPARTMENTAL**

5.1 **Community Services, Health and Public Safety and Recreational and Environmental Services**

5.1.1 **Overtime**

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 947 200	324 533	441 720	(117 187)
006	Traffic	3 126 600	521 100	573 352	(52 252)
009	Clinic	31 800	5 300	62 765	(57 465)
029	Commuter Facilities	73 500	12 250	18 639	(6 389)
032	Street Cleaning	4 426 900	737 817	828 462	(90 645)
033	Refuse Removal	4 050 400	675 067	710 465	(35 398)
037	Public Conveniences	141 600	23 600	25 291	(1 691)
Total		13 798 000	2 299 667	2 660 694	(361 027)

□ **Vote 005 – Fire Brigade**

The overtime over-expenditure incurred by the Fire Department was due to number of fire and rescue incidents received and shift shortages due to 20 staff vacancies as well as a lot of emergency calls and that caused an over-expenditure.

□ **Vote 006 – Traffic**

The overtime for the financial budget is R3 126 600. Divided between 12 months = R260 550. For the month of August 2014, the proposed planned overtime for 5 weeks amounted to R 302 833,44.

Over-expenditure is due to the fact that overtime paid during the month of August 2014 was for overtime performed over 5 weekends. The expenditure will normalise during the remainder of the financial year.

Adding to the over expenditure, the officers attend to various call outs whilst performing standby duties (unplanned overtime).

□ **Vote 009 – Clinic**

Richards Bay clinic extended its services in January 2014, which resulted in shift workers having to be paid for Public holidays as well as weekends. Due to an administration error the shift workers did not receive their overtime in the previous financial year. Payment was made in July 2014. Furthermore a replacement contract worker is required when the contract worker is sick or on leave. This contributes to increased expenditure.

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

The services delivered in terms of refuse removal, street cleaning, cleaning of public conveniences and commuter facilities is of such a nature that demand cannot be predicted and cleaning after normal working hours is often required to ensure that town is clean. It must be noted that figures reflected for August in terms of overtime also historically includes overtime worked during July of the preceding financial year. Limited funding has been provided for overtime expenditure in the 2014/2015 financial year and all attempts will be made by Waste Management to limit overtime without compromising effective service delivery.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
002	Cemetery	729 500	121 583	124 084	(2 501)
024	Sport Development and Sports Field	203 400	33 900	26 813	7 087
027	Beach Facilities	400 000	66 667	68 362	(1 695)
042	Swimming Pools	455 600	75 933	-	75 933
073	Parks Distribution Account	67 000	11 167	36 567	(25 400)
Total		1 855 500	309 250	255 826	53 424

□ **Vote 002 – Cemetery**

Over-expenditure is due to internments over weekends. Depending on the requests for weekend days of service, the overtime expenditure may vary from month-to-month resulting in an over/under expenditure of the annual overtime vote.

□ **Vote 027 – Beach Facilities**

Over-expenditure is due to the fact that overtime paid during the month of August 2014 was for overtime performed over 5 weekends. The expenditure will normalise during the remainder of the financial year.

□ **Vote 073 – Parks Distribution**

Over-expenditure is due the down time of the removal truck. The volume of work can only be performed over weekends; thus, the over-expenditure.

5.2 **Corporate Services**

5.2.1 **Overtime**

CORPORATE SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ADMINISTRATION					
001	Administration	65 000	10 833	91 333	(80 500)
016	Municipal Halls	60 500	10 083	15 255	(5 172)
030	Council General Expenditure	85 600	14 267	6 028	8 239
078	Printing and Photocopying	42 000	7 000	9 766	(2 766)
Total		253 100	42 183	122 382	(80 199)

□ **Vote 001 – Administration**

Over expenditure is as result of delivering various agenda after hours. The Call Centre has an incomplete staff complement which means a Call Centre Operator off duty has to come to work should one of their colleagues be either on sick or on vacation leave or time off.

□ **Vote 016 – Municipal Halls**

Overtime expenditure is as a result of the regular cleaning of the halls after each function. Therefore, staff must be available to operate the necessary resources.

□ **Vote 078 – Printing and Photocopying**

Over-expenditure is due to deliveries of different agendas. The late items result in deliveries being made after hours if during the week and on Saturdays if on weekends. The delivery of agendas for Executive Committee and Council as well as other Committees of Council on a Friday is impossible as the staff finish quite late.

5.3 Financial Services

5.3.1 Overtime

FINANCIAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	34 400	5 733	-	5 733
066	Supply Chain Management Unit	79 800	13 300	16 038	(2 738)
Total		114 200	19 033	16 038	2 995

□ Vote 066 – Supply Chain Management Unit

The Supply Chain Management Unit (SCMU) provides support service to various user departments that must ensure that municipal services are provided 24 hours a day. The unit personnel are therefore required on rotation basis to be on standby in order to issue breakdown materials after hours to ensure the continuity of service delivery. The only planned overtime is the issuing of fuel every Saturday and some public holidays. The unit's overtime is inherent to the needs of user departments and it is therefore difficult to ascertain and budget for the number of breakdowns during the year.

5.5 Infrastructure and Technical Services

5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ELECTRICAL SUPPLY SERVICES					
072	Electricity Distribution	3 883 700	647 283	672 440	(25 157)
079	Traffic Technical Distribution	-	-	13 314	(13 314)
081	Electrical Planning & Dev	-	-	6 341	(6 341)
083	Electrical Support Services	9 700	1 617	36 871	(35 254)
Total		3 893 400	648 900	728 966	(80 066)

□ **Vote 072 – Electricity Distribution**

It appears that we had very few interruptions for the month of July. The over-expenditure is therefore informed by the month of April and other months prior to that because that's where most network failures occurred. The 12% over-expenditure is for the entire Electricity Department, O and M is 4%, Public Lighting 6% and the rest make up the 2% and add to 12% in total.

□ **Vote 079 – Traffic Technical Distribution**

A lot of traffic malfunctioning was due to accidents over past weekend that lead to overtime. A guideline spread sheet will be provided in future.

□ **Vote 081 – Electrical Planning and Development**

The over expenditure on vote 081/003/0 is due to the time booked for the meters changes which were discovered on the Energy Losses Project. As this was a critical project to ensure that Electricity Losses are reduced, savings have been identified and transferred to the overtime vote to fund the expenditure.

This Energy Losses Project is an ongoing project till 2016/2017, and the department will require funds for the two technicians involved to replace the faulty metering equipment.

□ **Vote 083 – Electrical Support Services**

Provision was made in the 2013/2014 for planned night streetlight inspections and pole inspections. This overtime was worked in June 2014 and paid in July 2014. Therefore the amount reflects as over-expenditure in July 2014.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ENGINEERING SUPPORT SERVICES					
038	Engineering Support	-	-	7 733	(7 733)
067	Mechanical Services	607 100	101 183	100 058	1 125
Total		607 100	101 183	107 791	(6 608)

□ **Vote 038 – Engineering Support Services**

The GMS Section had two vacancies since May 2014 thus the increase in workload and the need to work overtime. The time sheets backlog needed to be rectified before the financial year end for ease of complying with the finance requirements.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
TRANSPORT, ROADS AND STORMWATER					
068	Roads and Stormwater	-	-	64 370	(64 370)
Total		-	-	64 370	(64 370)

□ **Vote 068 – Roads and Stormwater**

Provision was made in the 2013/2014 financial for overtime to be performed that was of an urgent and critical nature. This overtime was worked in June 2014 and paid in July 2014. Therefore the over-expenditure on overtime in July 2014, however a savings arose in the 2013/14 financial year.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
WATER AND SANITATION SERVICES					
062	Scientific Services	23 800	3 967	11 000	(7 033)
074	Water & sewerage distribution	9 484 100	1 580 683	1 437 385	143 298
087		562 400	93 733	79 107	14 626
Total		10 070 300	1 678 383	1 527 492	150 891

□ **Vote 062 Scientific Services**

Council approved the phased implementation of ISO 17025, CR5549. The Scientific Services currently has a ISO 17025 Project, with a set project plan, with CSIR. The Scientific Services personnel had to work overtime due to limited human resources and comprehensive daily activities, in order to keep to the project time plan.

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 987983**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEX
Table C1	Monthly Budget Statement Summary	A
Table C2	Monthly Budget Financial Performance (Standard Classification)	B
Table C2C	Monthly Budget Financial Performance (Detail) (Standard Classification)	C
Table C3	Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table C3C	Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
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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
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Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
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Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y

PART 2 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 August 2014.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 August 2014.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 August 2014.

10. 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 August 2014.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 August 2014.

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 August 2014:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding (**Annexure G**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding (**Annexure H**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**).

Actual capital expenditure which represents payments made during the reporting period, constitutes only 7,87% (R30,1 million) of the Draft Adjusted budget of R383 million. Refer to 3.3 above for capital budget summary.

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 991261 (Annexure AD)**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in detail throughout the report.

LEGAL IMPLICATIONS

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

COMMENTS OF THE CHIEF FINANCIAL OFFICER

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

DISCUSSION BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 25 SEPTEMBER 2014

The Chairperson raised a concern regarding the element of wasteful expenditure and cautioned the Administration that it seems as if the Municipality is moving in a negative direction. Nevertheless, he indicated that the Municipality is improving.

A serious concern was raised regarding debtors that are over 90 days. Mention was made of the overall figure that is currently at R82 292. The Chairperson indicated that in the near future, it will reach R100 000 should the Financial Services not seek an adequate revenue management system. The Acting Chief Financial Officer in responding to the question raised regarding Government Departments debtors pointed out that though Government Departments are recorded as bad debtors, they are mostly as a result of ownership of properties. However, he indicated that most concern is regarding the rural residential debtors. The Head of Section: Revenue Collection added that the challenges are due to there being no formalised plan in place as to where statement of accounts could be forwarded. She further reported that as a way forward to curb the aforementioned challenge, statement of accounts will be forwarded via sms. She also mentioned a Credit Control Technical Action Plan that is in progress as a measure to curb this challenge.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 August 2014, 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 987983)**, be noted.