

10019

FINANCIAL REPORTING AS AT 28 FEBRUARY 2015

The report served before the Financial Services Portfolio Committee on 26 March 2015 and as the meeting did not constitute a quorum the report is referred to the Executive Committee for consideration.

All Annexures are circulated under separate cover.

PURPOSE

To submit to Council the financial position of the uMhlathuze Municipality as at 28 February 2015, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

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 February 2015 is included under **Annexures Z and AA (DMS 1024797)**.

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 - February 2015

The monthly budget statement summary (Table C1) for the month of February 2015 (year to date actual), shows a surplus of R65,4 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well.

In terms of Council Resolution 9903 dated 24 February 2015, Council approved the Adjusted Budget. All the figures contained in this report refer to the 2014/15 Adjusted Budget.

Capital Expenditure

Council is in the third quarter of the financial year and capital expenditure is at R204,2 million (40,98%). This is based on the Adjusted Capital Budget of R498 million. At the end of February 2015 an amount of R76,6 million is shown for orders that have been placed, but payment will only take place in the subsequent months.

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 28 February 2015:

DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	TARGET ACHIEVED
		R'000	R'000	%
Revenue (excluding capital grants)	2 288 540 300	1 525 693 533	1 613 490 892	106%
Expenditure	2 327 939 500	1 551 959 667	1 548 130 895	100%
	(39 399 200)	(26 266 133)	65 359 997	

As can be seen from the table above, Actual Surplus for the month ended 28 February 2015 is higher than the Budgeted Deficit.

Actual revenue to Budgeted revenue has exceeded the budget. Actual expenditure to Budgeted expenditure at the budget limit.

3.2 Cash Flow Situation

Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 28 FEBRUARY 2015	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 28 FEBRUARY 2015
	R'000	R'000	R'000	%
Conditional Grants	90 576 000	90 576 000	90 576 000	-
Workings Capital	356 925 000	191 729 000	383 458 000	(26 533 000)
Total (incl. investments)	447 501 000	282 305 000	474 034 000	(26 533 000)

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 currently sits at 1,86:1 (356 925/191 729).

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.**

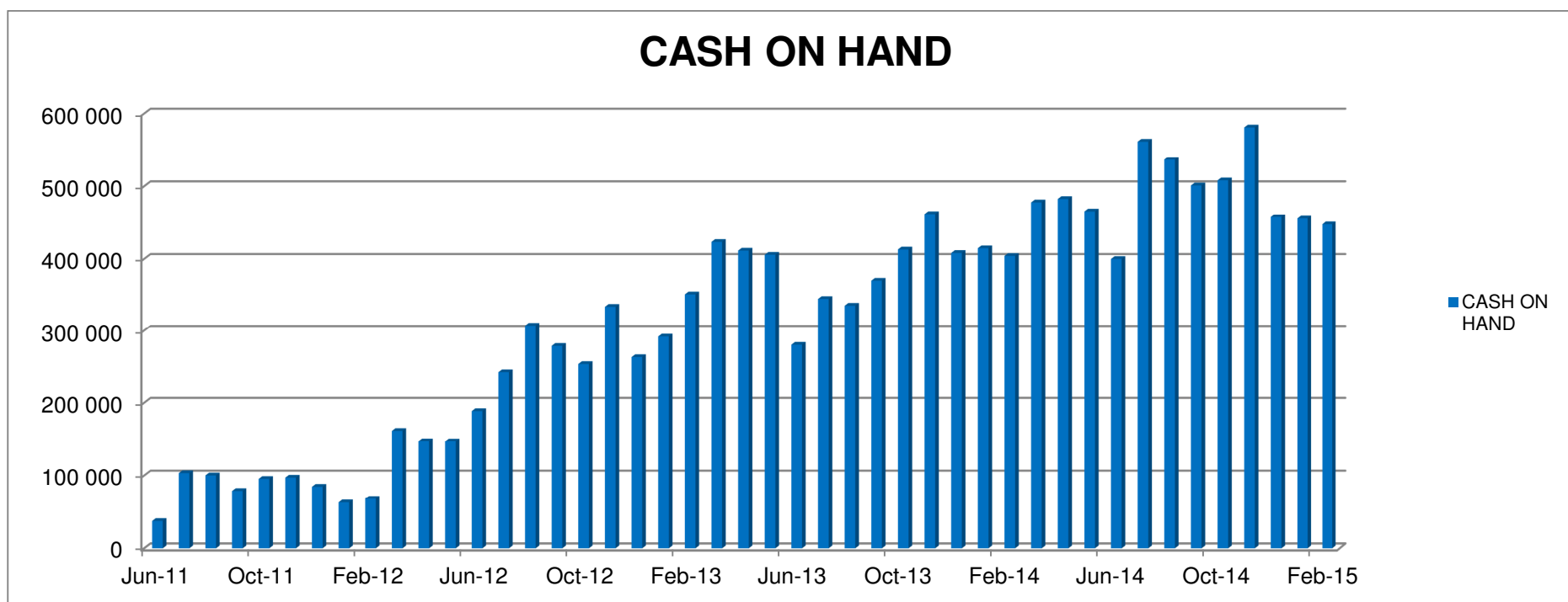
The calculation for the above ratio is as follows: [(186 925 – 90 576) + 170 000) / (2 363 247 -182 390 – 3 050)/12] which currently sits at 1,47:1.

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.

Bank Balance Trend since June 2011

Table:

	Jun-11	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	June-14	July-14	Aug-14	Sept-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
	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	462 070	408 143	414 642	404 080	478 000	482 637	465 696	399 897	561 308	536 244	501 032	508 007	580 872	457 572	455 589	447 501



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.

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	AMOUNT GAZETTED FOR SEPTEMBER 2014	AMOUNT GAZETTED FOR OCTOBER 2014	AMOUNT GAZETTED FOR NOVEMBER 2014	AMOUNT GAZETTED FOR DECEMBER 2014	AMOUNT GAZETTED FOR JANUARY 2015	AMOUNT GAZETTED FOR FEBRUARY 2015	TOTAL TO BE RECEIVED AS AT 31/01/2015	AMOUNT RECEIVED AS AT 28/02/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 28/02/2015	% SPENT	COMMENTS
NATIONAL TREASURY														
Equitable Share	81 066 000	-	-	-	68 267 000	-	-	-	149 333 000	149 333 000	-	149 333 000	100%	
Municipal Infrastructure Grant	30 377 000	-	-	-	29 250 000	-	-	-	59 627 000	59 627 000	-	76 022 507	127%	This expenditure is as per claims submitted to COGTA.
Municipal Systems Improvement Grant	-	930 000	-	-	-	-	-	-	930 000	930 000	-	327 882	35%	
Financial Management Grant	1 600 000	-	-	-	-	-	-	-	1 600 000	1 600 000	-	847 957	53%	
Municipal Water Infrastructure Grant	-	4 712 000	-	9 426 000	-	-	4 712 000	-	14 138 000	14 138 000	-	7 444 538	53%	
Water Services Operating Subsidy	-	3 500 000	-	7 000 000	-	-	3 500 000	-	10 500 000	10 500 000	-	6 691 453	64%	
Integrated National Electrification Grant	5 775 000	2 225 000	-	-	-	-	-	-	8 000 000	8 000 000	-	15 207 341	190%	Expenditure was incurred in the 2013/2014 financial year.
Rural Households Infrastructure Grant	2 000 000	-	-	-	2 500 000	-	-	-	4 500 000	-	4 500 000	-	0%	Funds received on the 20 March 2015
Extended Public Works Programme	-	758 000	-	-	569 000	-	-	569 000	1 896 000	1 896 000	-	1 376 552	73%	
Infrastructure Skills Development Grant	4 036 000	-	-			-	3 964 000	-	8 000 000	8 000 000	-	4 643 904	58%	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	-	16 426 000	100 586 000	-	12 176 000	569 000	258 524 000	254 024 000	4 500 000	261 895 133	103%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	AMOUNT GAZETTED FOR SEPTEMBER 2014	AMOUNT GAZETTED FOR OCTOBER 2014	AMOUNT GAZETTED FOR NOVEMBER 2014	AMOUNT GAZETTED FOR DECEMBER 2014	AMOUNT GAZETTED FOR JANUARY 2015	AMOUNT GAZETTED FOR FEBRUARY 2015	TOTAL TO BE RECEIVED AS AT 31/01/2015	AMOUNT RECEIVED AS AT 28/02/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 28/02/2015	% SPENT	COMMENTS
PROVINCIAL TREASURY														
Provincialisation of Libraries	-	-	6 080 000	-	-	-	-	-	6 080 000	6 080 000	-	10 688 820	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)	-	-	756 000	-	-	-	-	-	756 000	756 000	-	495 198	66%	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	-	-	6 202 880	-	-	-	-	1 073 120	1 073 120	-	6 866 649	640%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	299 000	-	-	-	-	-	299 000	-	299 000	1 062 067	0%	Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Museum.
Clinic Services	-	-	7 290 300	-	-	-	-	-	7 290 300	-	7 290 300	14 186 899	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)	2 646 094	88%	Funds were to be received in 2013/2014 financial year. Only received in August 2014
Tourism Development	-	-	-	-	-	-	-	-	-	3 000 000	(3 000 000)	182 212	6%	Funds were to be received in 2013/2014 financial year. Only received in August 2014
TOTAL PROVINCIAL TREASURY GRANT	1 073 120	-	14 425 300	6 202 880	-	-	-	-	15 498 420	13 909 120	1 589 300	36 127 940	260%	
TOTAL GRANTS AND SUBSIDIES	125 927 120	12 125 000	14 425 300	22 628 880	100 586 000	-	12 176 000	569 000	274 022 420	267 933 120	6 089 300	298 023 072	111%	

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3.3 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 28 February 2015 (40,98%):

FUNCTION	ADJUSTED BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL FEB 2015 (YTD)	% OF ADJUSTED BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Executive and Council	167 300	188 600	10 845	6.48%	6%
Budget and Treasury Office	4 165 600	-	1 398 046	33.56%	0%
Corporate Services	94 812 400	36 829 584	23 717 658	25.02%	64%
Community and Social Services	28 613 300	19 469 900	8 927 265	31.20%	46%
Sport and Recreation	32 406 100	24 704 456	4 074 135	12.57%	16%
Public Safety	26 144 200	20 880 507	8 182 512	31.30%	39%
Housing	24 823 900	17 800 000	6 378 409	25.69%	36%
Health	7 837 100	5 915 000	3 936 806	50.23%	67%
Planning and Development	107 400	70 000	45 616	42.47%	65%
Road Transport	22 398 100	14 856 618	13 090 389	58.44%	88%
Electricity	64 602 000	37 393 202	28 452 524	44.04%	76%
Water	117 561 900	55 444 527	64 966 135	55.26%	117%
Waste Water Management (Sanitation)	69 667 800	49 744 016	40 451 554	58.06%	81%
Waste Management (Solid Waste)	5 000 300	2 078 000	557 387	11.15%	27%
TOTAL	498 307 400	285 374 410	204 189 281	40.98%	72%

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

DESCRIPTION	ADJUSTED BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL FEB 2015 (YTD)	% OF ADJUSTED BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Cemetaries	2 100 000	2 100 000	10 770	1%	1%
Community Halls	7 436 800	4 750 450	2 660 555	36%	56%
Libraries	9 187 400	6 965 400	4 353 067	47%	62%
Museums	5 900	5 900	1 295	22%	0%
Municipal Buildings	7 070 400	2 460 700	848 615	12%	34%
Commuter Facilities	3 000 000	2 500 000	1 239 165	0%	50%
COMMUNITY AND SOCIAL SERVICES	28 800 500	18 782 450	9 113 467	32%	49%
Fire	15 224 900	13 247 000	3 261 725	21%	25%
Traffic	86 400	86 400	86 342	100%	0%
Security Services	18 400	18 400	18 347	100%	0%
Street Lighting	10 797 200	7 569 507	4 798 828	44%	63%
PUBLIC SAFETY	26 126 900	20 921 307	8 165 242	31%	39%

The total adopted capital budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2014/2015	ACTUAL FEB 2015 (YTD)	% OF ADJUSTED BUDGET SPENT
External Loans	142 572 300	59 876 632	42.00%
Capital Replacement Reserve	121 519 500	36 618 059	30.13%
MIG	86 289 500	74 458 847	86.29%
Grant funded Roll-over - Yellow Plant	20 277 800	-	0.00%
Grant Funded Roll-over - Aerial Platform	10 373 700	-	0.00%
Grant Funded Roll-over - Fibre Link to Empangeni	15 000 000	-	0.00%
Other National Government Grants	57 647 200	19 003 695	32.97%
Provincial Government Grants	34 701 700	7 892 176	22.74%
Public Contributions	8 522 800	5 799 206	68.04%
Reserves	1 402 900	540 667	38.54%
TOTAL	498 307 400	204 189 282	40.98%

The table below reflects a list of all tenders awarded in February 2015:

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/957	156924	Appointment of Consulting Engineer for Implementation of Upgrades to Empangeni Sewer Reticulation	04/02/2015	Tender To Be Cancelled And Re-Advertised		
8/2/1/963	156924	Appointment of Consulting Engineer for Implementation of Upgrades to Ngwelezane Reticulation and Outfall Sewer	04/02/2015	Tender To Be Cancelled And Re-Advertised		
8/2/1/1038	157584	Supply and Delivery of Various Vehicles and Plant	06/02/2015	Tender To Be Referred Back To User Department		
8/2/1/1038	157374	Supply and Delivery of Various Vehicles and Plant	11/02/2015	3 335 537,96 649 320,00 775 270,48 602 480,68 743 152,12 859 901,52 3 430 419,84 2 351 871,84 889 595,88 591 375,00 753 900,00	271/600/116 270/550/129 271/500/347 271/600/119 271/600/118 271/500/348 271/500/349 270/500/113 270/550/128 071/090/0	2 900 000 560 000 263 000 741 000 894 500 3 420 600 2 345 300 - 790 000 1 290 800
8/2/1/744	156053	Plant Hire	18/02/2015	Tender To Be Cancelled Due To Change In Requirements		
8/2/1/1032	157252	Upgrade of Sportsfield at Sigisi	18/02/2015	978 363	224/832/01	1 115 400
8/2/1/927	156817	Upgrade of Ngwelezane Combi Courts	25/02/2015	476 991,24	224/632/19	670 000
8/2/1/1050	157453	Paving Richards Bay Cemetery	25/02/2015	1 657 645	202/532/04	2 000 000

3.4 Expenditure per Category

The table below represents operating expenditure per category incurred as at 28 February 2015:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	% OF PRO- RATA BUDGET
Employee related costs	561 455 200	374 303 467	361 491 619	97%
Remuneration of Councillors	23 176 400	15 450 933	14 312 607	93%
Debt Impairment	3 050 000	2 033 333	2 033 333	100%
Depreciation	182 389 600	121 593 067	121 593 001	100%
Finance Charges	77 614 000	51 742 667	51 742 667	100%
Bulk Purchases - Electricity	933 779 300	622 519 533	650 995 873	105%
Bulk Purchases - Water	132 139 700	88 093 133	92 330 894	105%
Other Materials	35 938 900	23 959 267	27 372 606	114%
Contracted Services	178 565 400	119 043 600	118 666 280	100%
Transfers and grants	8 539 000	5 692 667	3 318 741	58%
Other Expenditure	191 292 000	127 528 000	104 273 274	82%
TOTAL	2 327 939 500	1 551 959 667	1 548 130 895	100%

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 and August 2014. Included in Electricity purchases are the following amounts in terms of the Generation Purchase agreement with Mondi:

- July 2014 = R30 million
- August 2014 = R25 million
- September 2014 = R20 million
- October 2014 = R13 million
- November 2014 = R16 million
- December 2014 = R15 million
- January 2015 = R19 million
- February 2015 = R19 million

A corresponding increase in Revenue is apparent under Service Charges – Electricity.

Bulk Purchases – Water: A surcharge on Water amounting to R20,7 million was charged by Mhlathuze Water for water purchased as at 28 February 2015 as Council extracted more water than normal.

The executive committee resolved that in terms of council resolution dated 12 February 2015: “*Council approves the declaration of the City of uMhlathuze as a drought stricken area, the Water Conservation Plan and the Drought Management Plan (DMS 1016416) within the current financial year of 2014/2015 starting in January 2015, extending to the time when water source conditions have improved to acceptable levels as per the discussions in this report.*” The drought management plan indicates that council will be paying for surcharge during drought conditions.

3.5 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	% OF PRO- RATA BUDGET
Rates	326 453 200	217 635 467	224 472 901	103%
Service Charges – Electricity revenue	1 295 000 000	863 333 333	942 381 926	109%
Service Charges – Water revenue	206 500 000	137 666 667	141 483 039	103%
Service Charges – Sanitation revenue	75 450 000	50 300 000	51 723 245	103%
Service Charges – Refuse revenue	60 200 000	40 133 333	40 806 262	102%
Service Charges – Other revenue	12 072 200	8 048 133	9 704 757	121%
Rental of facilities and equipment	11 561 800	7 707 867	9 422 495	122%
Interest earned – external investments	16 700 000	11 133 333	10 829 028	97%
Interest earned – outstanding debtors	1 544 000	1 029 333	1 122 432	109%
Fines	10 377 200	6 918 133	7 005 936	101%
Licences and permits	1 753 700	1 169 133	1 125 462	96%
Agency services	6 600 000	4 400 000	4 574 210	104%
Operating Grants and Subsidies	246 225 800	164 150 533	153 944 409	94%
Other Revenue	18 102 400	12 068 267	14 894 790	123%
TOTAL	2 288 540 300	1 525 693 533	1 613 490 892	106%

The above table represents operating revenue per category as at 28 February 2015.

3.6 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADJUSTED BUDGET 2014/2015		ACTUAL AS AT 28 FEBRUARY 2015		
	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000
Rates and General Services					
Executive and Council	4 005 300	(3 840 000)	107 400	1 086 424	(979 024)
Budget and Treasury Office	5 910 300	329 570 100	244 091 378	(3 215 374)	247 306 752
Corporate Services	40 812 200	(32 141 200)	6 490 139	23 926 766	(17 436 627)
Community and Social Services	50 454 900	(40 690 400)	8 637 827	32 116 878	(23 479 051)
Sport and Recreation	113 827 200	(111 516 600)	4 145 975	72 581 117	(68 435 142)
Public Safety	118 983 600	(109 256 300)	7 736 400	71 181 227	(63 444 827)
Housing	15 601 300	(7 375 200)	3 964 576	8 950 599	(4 986 023)
Health	24 947 100	(12 780 700)	6 564 966	25 582 408	(19 017 442)
Planning and Development	42 490 600	(41 078 800)	1 264 282	21 327 958	(20 063 676)
Road Transport	149 134 000	(138 250 500)	7 043 920	100 688 585	(93 644 665)
Water (Portion of PMU funded by Rates & General Services)	5 819 600	(3 314 250)	24 821	3 606 325	(3 581 504)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7 514 600	(5 009 250)	612 171	4 434 450	(3 822 279)
Total Rates and General Services	579 500 700	(175 683 100)	290 683 855	362 267 363	(71 583 508)
Airport	902 700	(461 400)	544 830	417 200	127 630
Trading Services					
Electricity	1 153 502 100	239 155 900	947 187 675	793 358 587	153 829 088
Water	355 072 300	(67 767 500)	181 488 984	244 985 090	(63 496 106)
Clarified Water	15 107 800	142 200	13 616 764	10 357 459	3 259 305
Sewerage	127 510 100	40 301 700	111 646 859	74 130 975	37 515 884
Refuse Removal	96 343 800	6 931 200	68 321 925	62 614 220	5 707 705
Total Trading Services	1 747 536 100	218 763 500	1 322 262 207	1 185 446 331	136 815 876
Total Service Category	2 327 939 500	42 619 000	1 613 490 892	1 548 130 894	65 359 998

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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

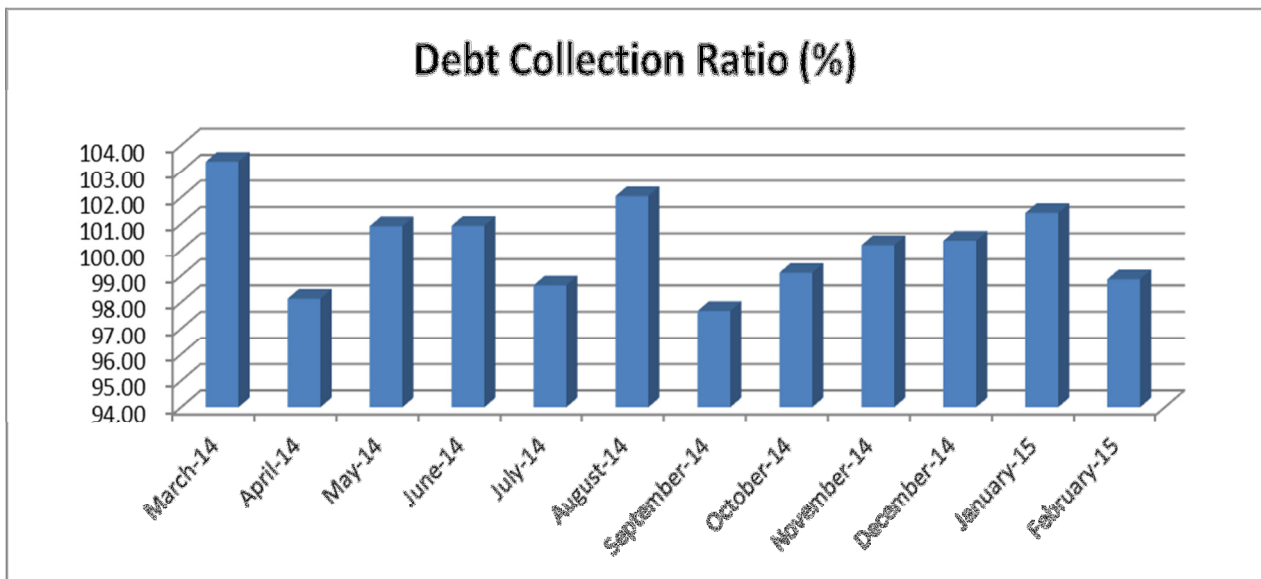
➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	9 107 932	157 738	226 511	2 256 703	11 748 884
Business	171 996 994	3 101 257	2 130 471	40 660 833	217 889 555
Households	50 698 819	2 504 894	2 313 594	42 424 097	97 941 404
Other	6 194 846	971 273	787 352	11 425 592	19 379 063
Total	237 998 591	6 735 162	5 457 928	96 767 225	346 958 906
%	68.60%	1.94%	1.57%	27.89%	

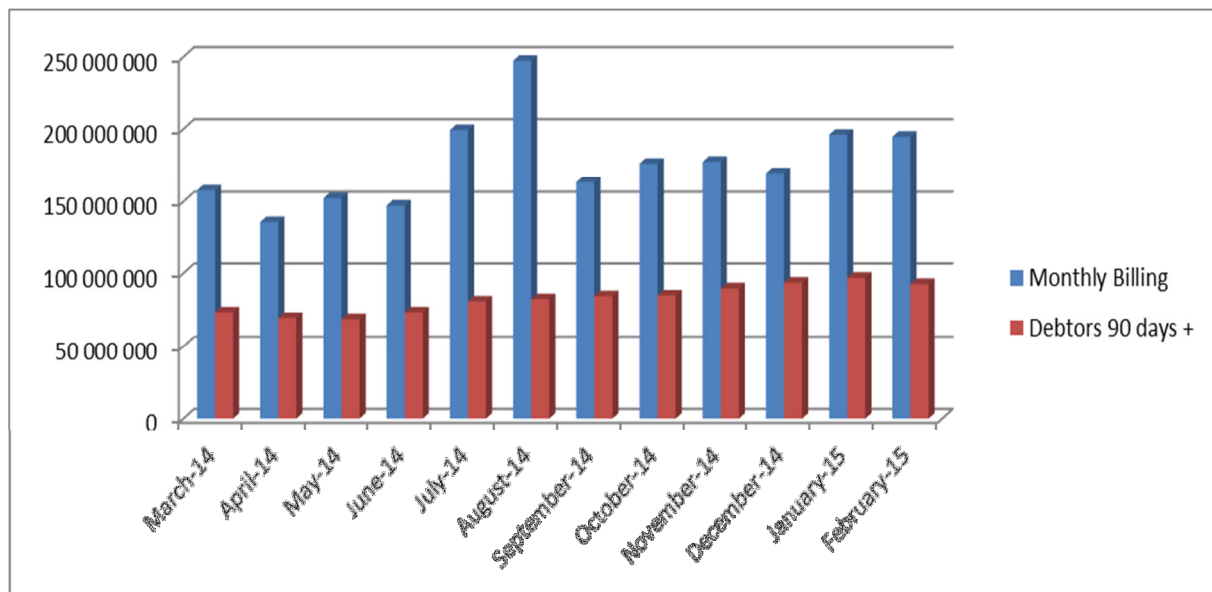
➤ **Debt Collection Rate**

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

DEBT COLLECTION RATE PER MONTH	PERCENTAGE %
February 2015	98.87
January 2015	101.41
December 2014	100.36
November 2014	100.19
October 2014	99.12
September 2014	97.67
August 2014	102.05
July 2014	98.64
June 2014	100.93
May 2014	100.91
April 2014	98.14
March 2014	100.72



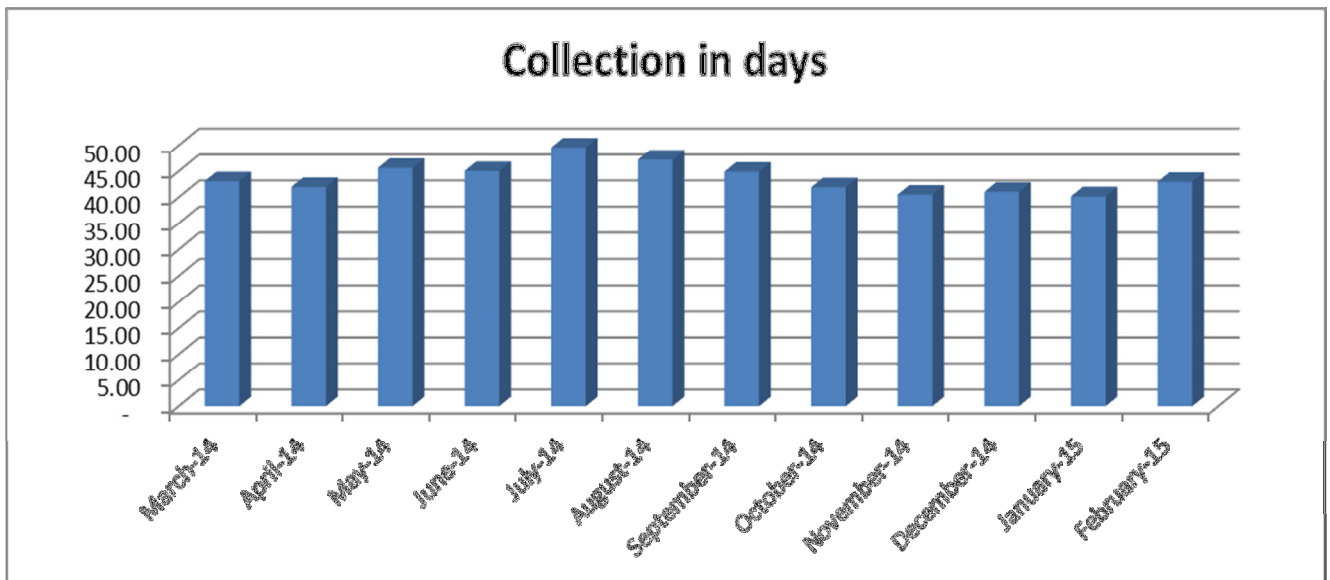
MONTH	MONTHLY BILLING	DEBTORS 90 DAYS +	PERCENTAGE %
February 2015	194 758 958	96 767 225	49.69%
January 2015	196 088 953	96 924 526	49.43%
December 2014	169 766 329	93 569 932	55.12%
November 2014	177 574 145	89 696 475	50.51%
October 2014	176 327 531	84 775 434	48.08%
September 2014	163 364 936	84 495 709	51.72%
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%



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:

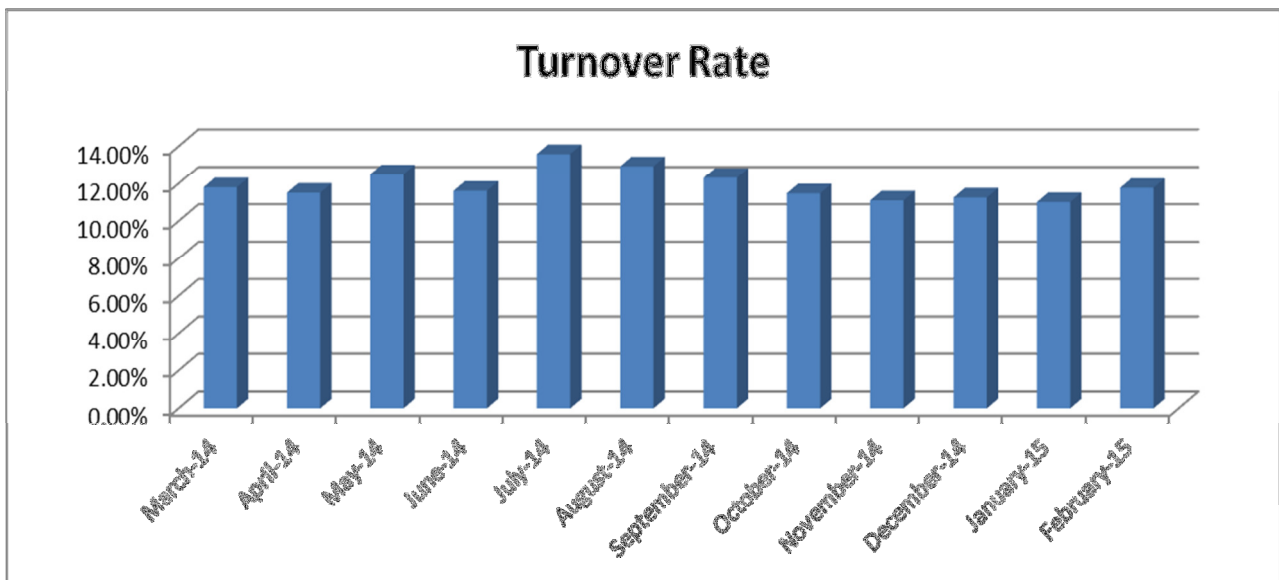
MONTH	COLLECTION IN DAYS
February 2015	42.98
January 2015	40.18
December 2014	41.05
November 2014	40.52
October 2014	41.91
September 2014	44.93
August 2014	47.22
July 2014	49.59
June 2014	45.06
May 2014	45.66
April 2014	42.00
March 2014	43.09



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
February 2015	11.77%
January 2015	11.01%
December 2014	11.25%
November 2014	11.10%
October 2014	11.48%
September 2014	12.31%
August 2014	12.94%
July 2014	13.59%
June 2014	11.61%
May 2014	12.51%
April 2014	11.51%
March 2014	11.80%



Summary of Credit Control Technical Actions Performed

DESCRIPTION	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
SMS Notification	6 354	9 501	7 883	6 533	9 835	8 024	6 238	2 424
SMS Notification - IT & S	-	-	24 493	5 717	167 523	108 600	35 026	231 467
Final Request - Residential	3 399	3 387	3 832	4 477	3 083	3 265	2 123	3 918
Final Request - Business	365	252	329	480	187	268	202	354
Electricity Disconnection Level 1 (Switch Off Supply)	92	130	114	127	163	127	114	115
Electricity Disconnection Level 2. Remove Circuit Breaker	7	-	3	7	3	2	2	1
Illegal Consumption Inspection (Water or Electricity)	835	1 060	1 266	1 396	1 571	2 122	524	1 489
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	648	741	933	1 190	825	815	708	709
Water Restriction Level 2. (Install water pressure reducing valve)	17	9	17	10	18	14	3	-
Water Disconnection (Business accounts)	68	24	24	33	26	13	23	28
Finals (New Consumers, moving in or out, readings taken, disconnected/reconnected)	243	267	188	182	146	167	156	172

➤ **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.

TOP 10 GOVERNMENT ACCOUNTS			
ACCOUNT NUMBER	NAME OF DEPARTMENT	TOTAL	COMMENTS
		R	
1552325	Department of Public Works	483 939.32	This account is still under investigation and verification by the department. Meetings were held with officials from the DPW and all relevant info submitted. Payment is awaited. A letter under the hand of the Mayor has been written to the department.
970111	Department of Public Works	377 831.64	This account is still under investigation and verification by the DPW. A letter under the hand of the Mayor has been written to the department.
1991812	Department of Public Works	275 947.10	Property at Dumisane Makhaye Villag on which a municipal pump station is situated. The matter is under investigation. A letter under the hand of the Mayor has been written to the department.
392615	Department of Health	181 697.00	Primary Health Grant. The payment advice has already been received at time of the report, but the payment is not in bank yet. It is expected very soon. A letter under the hand of the Mayor has been written to the department.
1552318	Department of Public Works	157 838.92	This account is still under investigation and verification by the department. Meetings were held with officials from the DPW and all relevant info submitted. Payment is awaited. A letter under the hand of the Mayor has been written to the department.
1552357	Department of Public Works	120 639.57	This account is still under investigation and verification by the department. Meetings were held with officials from the DPW and all relevant info submitted. Payment is awaited. A letter under the hand of the Mayor has been written to the department.
1348513	Department of Public Works	102 959.19	A meeting was held with DPW officials and duplicate invoices submitted. Payment is expected soon. A letter under the hand of the Mayor has been written to the department.
281009	Department of Public Works	91 828.38	A meeting was held with DPW officials and duplicate invoices submitted. Payment is expected soon. A letter under the hand of the Mayor has been written to the department.
1344445	Department of Public Works	95 361.08	A meeting was held with DPW officials and duplicate invoices submitted. Payment is expected soon. A letter under the hand of the Mayor has been written to the department.
225220	Department of Public Works	39 742.96	A meeting was held with DPW officials and duplicate invoices submitted. Payment is expected soon. A letter under the hand of the Mayor has been written to the department.

➤ **The Top 10 Arrear Business Accounts**

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	22 092 483	22 795 590	Basfour 3721 (Pty) Ltd / Indlovu 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. Further consultations / meetings were held with the attorneys and advocate and process documents / support documents are being compiled
1929003	Zotec development (Pty) Ltd	4 012 360	4 012 360	Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Security Estate. The matter is set down for Arbitration
1623456	Richards Bay IDZ	3 788 017	3 788 017	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	4 276 592	4 931 796	Zululand Chamber of Business Foundation is for rental charged. The matter is currently also in dispute in court and awaiting a court date. A separate report was submitted by Legal Section with proposals to settle the matter. RPT 157039. It was resolved that the matter be settled. Administration process to be completed
1610626	Tisand (Pty) Ltd	2 312 108	2 537 287	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. Proposals was submitted to resolve the matter by the attorneys and are being considered.
416383	River Rock Invest (Pty) Ltd	1 204 805	1 409 875	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

NOTES:

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ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
392020	River Rock Invest (Pty) Ltd	499 739	1 200 205	River Rock Investments is in respect of unpaid charges in respect of rates that are under dispute. Matter still under consideration by legal services. They are paying their monthly charges excluding the disputed charge
1941346	Mcclelland Prop Dev	739 810	830 200	The account is in respect of rates and basic services 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. The debtor now wants to settle the account in installments and final agreement on the terms are being negotiated. The debtor failed to respond to finalise this matter and the account is now handed over to Council's attorneys. The process of collection is in progress
1929028	PSE Development Initiatives (Pty) Ltd	629 149	629 149	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.
2024857	Sugarberry Trading	371 194	522 960	The account is for the contract for litterbin advertising. The details of this debt was reported continuously in the quarterly report from the department. It was resolved that the contract be cancelled and the account handed over to Council's attorneys for collection. The administrative process to formally cancel the agreement is still in progress.

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 R173 228,65 as per **Annexure AB - DMS 1024797**.

Councillor's debt amounts to R8 907,90 as per **Annexure AC - DMS 1024797**.

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	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R'000	R'000	R'000	R'000	%
Overtime	33 558 200	22 372 133	23 709 653	(1 337 520)	106%

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		SEPTEMBER 2014	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	25 402	731	29 857	728	24 802	710
Temporary	2 150	105	416	33	530	35
	27 552	836	30 272	761	25 332	745

EMPLOYEES	OCTOBER 2014		NOVEMBER 2014		DECEMBER 2014	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	30 387	768	31 979	768	25 529	732
Temporary	1 034	108	210	106	139	15
	31 421	876	32 189	874	25 668	747

EMPLOYEES	JANUARY 2015		FEBRUARY 2015	
	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	30 387	768	35 612	726
Temporary	1 034	108	44	7
	31 421	876	35 656	733

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 February 2015. The relevant departments have supplied the comments for the over-expenditures incurred on overtime.

DEPARTMENT	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
City Development	-	-	-	-	0%
Community Services	17 308 500	11 539 000	12 544 883	(1 005 883)	109%
Corporate Services	403 200	268 800	312 682	(43 882)	116%
Financial Services	119 600	79 733	66 993	12 740	84%
Infrastructure and Technical Services	15 726 900	10 484 600	10 785 095	(300 495)	103%
Office of the Municipal Manager	-	-	-	-	0%
Total	33 558 200	22 372 133	23 709 653	(1 337 520)	106%

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

Through the Adjustment budget process, Council condoned transfers that occurred during the period July 2015 to January 2015. Subsequent to the approval of the Adjustment Budget a further 71 transfer 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	February 2015	Total Number of Transfers
Capital	14	14
Operating	57	57
Total	71	71

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

Department	February 2015	Total Value of Transfers
Corporate Services	1 048 000	1 048 000
Community Services	308 500	308 500
Office of The Municipal Manager	15 000	15 000
City Development	41 400	41 400
Financial Services	3 000	3 000
ITS - Electrical Supply Services	2 532 600	2 532 600
ITS - Engineering Support Services	4 700	4 700
ITS - Roads and Stormwater	579 000	579 000
ITS - Water and Sanitation Services	267 600	267 600
Total	4 799 800	4 799 800

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
Community Service - Health and Public Safety	233/536/16	233/536/18	10 000	Report Pending
Community Service - Health and Public Safety	233/536/16	233/536/19	7 000	Report Pending
Corporate Services - Administration	282/536/78	282/536/43	30 000	Report Pending
Corporate Services - Administration	230/544/01	219/532/177	12 400	Report Pending
Corporate Services - Administration	201/544/03	282/536/43	14 600	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	276/636/02	94 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/27	241/676/26	300 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/644/0	239/636/02	6 100	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/544/0	239/636/0	2 900	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/58	255/632/57	65 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/572/18	222/572/78	2 000 000	Report Pending
Infrastructure and Technical Services - Engineering Support Services	267/632/138	219/632/138	4 700	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/77	222/672/83	141 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	246/636/01	219/632/59	50 000	Report Pending
			2 737 700	

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	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	2 516 800	1 677 867	1 671 054	6 813
006	Traffic	3 180 300	2 120 200	2 162 522	(42 322)
009	Clinic	128 200	85 467	122 317	(36 850)
029	Commuter Facilities	108 300	72 200	85 594	(13 394)
032	Street Cleaning	4 981 600	3 321 067	3 748 896	(427 829)
033	Refuse Removal	4 190 300	2 793 533	3 101 198	(307 665)
037	Public Conveniences	141 000	94 000	109 513	(15 513)
Total		15 246 500	10 164 334	11 001 094	(836 760)

□ **Vote 006 – Traffic**

The over-expenditure on overtime was due to the two (2) alternate weekends worked by the Traffic officers, Traffic Wardens and Bylaw Enforcers, including the shift supervisors. Adding to the over expenditure, the officers attend to various call outs, such as accidents and obstructions, whilst performing standby duties (unplanned overtime).

The February overtime includes 1 January 2015 overtime, whereby staff members were remunerated on double time.

□ **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 administrative 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 over-expenditure is due to the need of cleaning of Taxi ranks, Street, towns and Ablution facilities during weekend. There was no abuse of overtime, so over expenditure may be linked to under budgeting and it is compulsory that these areas be cleaned in order to have a healthy environment and compliance with back to basics phenomenon.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
002	Cemetery	857 100	571 400	579 615	(8 215)
016	Municipal Halls	91 800	61 200	50 119	11 081
024	Sport Development and Sports Field	210 000	140 000	141 359	(1 359)
027	Beach Facilities	400 600	267 067	338 646	(71 579)
042	Swimming Pools	435 500	290 333	395 249	(104 916)
073	Parks Distribution Account	67 000	44 667	38 802	5 865
Total		2 062 000	1 374 667	1 543 790	(169 123)

❑ **Vote 002 – Cemetery**

Burials fluctuate from month to month. Due to the high volume of internments over weekends and public holidays it is necessary for the staff to perform such duties. The focus has lately changed for internments from weekdays to weekends.

❑ **Vote 24 - Sport Development and Sportsfield**

The overtime is due to the fact that out of four tractor drivers, only two are available currently. The two available drivers cannot finish grass cutting at various sport fields during working hours. Thanda Royal Zulu has had some home matches recently and that means officials have to work overtime as per Premier Soccer League regulation that they have to be on site for the duration of the match.

❑ **Vote 027 – Beach Facilities**

The warm weather experienced during this period resulted in public flocking to the beaches. Facilities being available 7 days a week, including the recent public holidays, resulted in the increased overtime expenditure. The Blue Flag Status awarded to the City also requires that staff be present at all times to ensure that the facility is kept to the required standard at all times and thus contributing to the over-expenditure.

□ **Vote 042 Swimming Pools**

The facilities are open 7 days a week and need staff for the general cleaning of the swimming pool as well as the area. More public are utilising the pools during the festive season. In the previous years some incidence did occur at the pools due to inexperienced lifeguards to prevent this from happening, the permanent lifeguards also worked at the busy pools. Thus leading into over-expenditure on overtime.

5.2 Corporate Services

5.2.1 Overtime

CORPORATE SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ADMINISTRATION					
001	Administration	225 800	150 533	245 478	(94 945)
030	Council General Expenditure	68 100	45 400	38 843	6 557
078	Printing and Photocopying	52 500	35 000	28 360	6 640
082	IT Services	56 800	37 867	-	37 867
Total		403 200	268 800	312 681	(43 881)

□ **Vote 001 – Administration**

Reasons for Overtime over expenditure at the Corporate Services - Administration in February 2015:

1. It is in respect of after-hours compiling, printing and delivering of agendas. Items from Departments in most instances do not reach the Committee Section on time causing unnecessary delays in the compiling, printing and delivering of the agenda.
2. The Call Centre operates 24 hours 7 days a week including Sundays which is a constant overtime calculated at a rate of 0,5 .

5.3 **Financial Services**

5.3.1 **Overtime**

FINANCIAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	34 400	22 933	3 613	19 320
066	Supply Chain Management Unit	85 200	56 800	63 380	(6 580)
Total		119 600	79 733	66 993	12 740

□ **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.

5.4 Infrastructure and Technical Services

5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ELECTRICITY SUPPLY SERVICES					
057	Electricity Marketing and Customer Service	45 800	30 533	22 887	7 646
072	Electricity Distribution	4 407 300	2 938 200	3 087 208	(149 008)
079	Traffic Technical Distribution	26 700	17 800	13 314	4 486
081	Electrical Planning & Dev	-	-	-	-
083	Electrical Support Services	122 300	81 533	77 866	3 667
Total		4 602 100	3 068 066	3 201 275	(133 209)

□ Vote 072 – Electricity Distribution

We have overspent by 14% within the Electricity Supply Services (ESS) Section. We did not experience any Major power interruptions for the Month of January, there is a decline in overtime expenditure overall by a good margin. The 4% over expenditure in Operations and Maintenance is therefore informed by the 12 months Pro Rata budget.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ENGINEERING SUPPORT SERVICES					
038	Engineering Support	7 800	5 200	7 733	(2 533)
067	Mechanical Services	524 600	349 733	336 878	12 855
Total		532 400	354 933	344 611	10 322

□ 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	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
TRANSPORT, ROADS AND STORMWATER					
068	Roads and Stormwater	74 900	49 933	69 631	(19 698)
Total		74 900	49 933	69 631	(19 698)

□ **Vote 068 – Roads and Stormwater**

Overtime was performed during January 2015 at the Beaches.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL FEB 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
WATER AND SANITATION SERVICES					
062	Scientific Services	48 800	32 533	24 353	8 180
074	Water & sewerage distribution	10 015 600	6 677 067	6 810 959	(133 892)
087	Sewerage & Pumpstations Distribution	453 100	302 067	334 266	(32 199)
Total		10 517 500	7 011 667	7 169 578	(157 911)

□ **Vote – 074 Water and Sewerage Distribution**

A major contributing factor to the increasing hours of overtime is the ever increasing of the City's 'ageing' water and wastewater infrastructure. The less or no budget on Capital water and sewer replacement projects is steadily resulting in an increase in pipeline failures and breakdowns due to age. Another additional factor that contributes largely to increased overtime is that of continuous breakdown/failures experienced from Municipal Fleet. Most of the Council Fleet currently being utilized are old and more likely to mechanical failure i.e. if four vehicle are in workshop, therefore 16 people are redundant and all work that is supposed to be done during the day will only be done after hours by standby teams. The lack of capital expenditure to replace these vehicles is negatively impacting on the operational overtime budget. When Fleet is unavailable or in short supply emergency water or sewer repair work can at most times be escalated to overtime. The other factor that contribute is the delivery of water to rural communities and to all areas affected by no water due to either pipe burst or water demand problems.

❑ **Vote – 087 Sewerage and Pumpstation Distribution**

Due to Empangeni Group pumps and Reservoirs - reservoir readings, cleaning of screens and inspections. This is a daily task done by Empangeni plumbers. This section assists alternate weekends and public holidays so that staff has a weekend off. Assist Empangeni plumbers with grass cutting at Reservoirs. At 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. Due to Load-shedding, Veldenvlei, Arboretum and Meerensee main Pump-stations were required to be inspected and monitored after hours.

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1024802**) 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
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Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
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Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V

TABLE NUMBER	DESCRIPTION	ANNEX
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 28 February 2015.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 28 February 2015.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 28 February 2015.

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 28 February 2015.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 28 February 2015.

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 28 February 2015:

- ❑ 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 40,98% (R204,2 million) of the Adjusted budget of R498 million. Refer to 3.3 above for capital budget summary.

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1028604 (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.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 28 February 2015, 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 1019428**), be noted.