

10384

## FINANCIAL REPORTING AS AT 31 JULY 2015

*This report served before the Financial Services Committee on 23 September 2015.  
The recommendations were supported.*

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 July 2015, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

### IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 Ensure GRAP compliance 5.1.1.2 SCOA compliant ( new reform) 5.1.1.3 Review of all budget related policies 5.1.1.4 Adherence to all MFMA and budget and reporting 5.1.1.5 Compliance with the Supply Chain Management regulation and PPPFA
	5.1.2 Sustainable Financial and supply chain Management	5.1.2.1 Improve internal communication on budget matters 5.1.2.2 Maintenance of fixed asset register 5.1.2.3 Credit control and debt collection 5.1.2.4 Compliant internal controls 5.1.2.5 Compliant grant reporting 5.1.2.6 Obtain targeted cash-backed statutory reserves 5.1.2.7 Development and appropriate training and assistance to employees 5.1.2.8 Identify and redress water and electricity tampering 5.1.2.9 Demand and acquisition management 5.1.2.10 Warehouse management 5.1.2.11 Contract administration

### 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 ten (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 issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out. Furthermore, National Treasury issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the

manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from July 2010.

The objectives of the budget 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.

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs made the regulations as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 April 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations take effect on 1 July 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the standard chart of accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the standard chart of accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by National Treasury.

In terms of Council resolution 8901 dated 26 November 2013; Council was selected as a Pilot Site for the SCOA implementation.

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

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

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month July 2015 is included under **Annexures Z and AA (DMS 1075669)**.

## 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 - July 2015**

The monthly budget statement summary (Table C1) for the month of July 2015 (year to date actual), shows a surplus of R47 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 is in the beginning of the financial year and capital expenditure is very low at R62 489 (0,11%). This is based on the Adopted Capital Budget of R449 million.

The low spend in July 2015 is expected as departments ensure that old year transactions are captured correctly.

## **2. RESOLUTIONS**

Refer to the recommendations contained in this report.

## **3. EXECUTIVE SUMMARY**

### **3.1 Status of MSCOA Project**

As Council is aware this Municipality is performing a pilot exercise for the National Treasury on the new Municipal Standard Chart of Accounts. Such are governed by regulations which will become effective Nation-wide on the 1 July 2017.

In short the change is resulting in some sound business reforms:

1. Ensuring a more consistent reporting of financial transactions across all municipalities in South Africa; and
2. Ensuring that municipalities can budget per objective or project based, not on items or products.

The Project commenced on the 1 September 2014 and we "went live" on the 7 July 2015.

There are many challenges at this stage, however most relate to the effect the new chart has on our existing business processes. We have had to change the Supply Chain and Expenditure side of the existing financial system to accommodate such change using the existing service providers.

Fundamental transactions are taking place such as:

1. Receipting;
2. Billing;
3. Payments;
4. Stock Issues;
5. Requisitions;
6. Journals; and
7. Virements (Budget transfers).

Problem areas are:

1. Works orders not working properly;
2. Contract Payments Module not functional yet;
3. Automated Work flow (authorizations) not 100 % set up for all Departments; and
4. Call Centre / HelpDesk facility and related resources are not working 100%, but is improving slowly

The project is run on a strict Project Management basis and project issues are well documented and managed. We are currently in the "hand holding" phase of the project which is planned to end at the end of September 2015. Given the extent of our challenges currently, it is envisaged that such hand holding phase will need to be extended to end of November 2015.

### **3.2 Operating Budget**

The following table represents an executive summary for the financial period ended 31 July 2015:

DESCRIPTION	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	2 524 300 900	210 358 408	235 069 699	111.75%
Expenditure	2 519 363 600	209 946 967	188 000 336	89.55%
	<b>4 937 300</b>	<b>411 442</b>	<b>47 069 363</b>	

As can be seen from the table above, Actual Surplus for the month ended 31 July 2015 is significant higher than the Budgeted Surplus.

Actual revenue to Budgeted revenue has exceeded the budget. Actual expenditure to Budgeted expenditure is lower than the budget limit.

This is to be expected as both operating and capital expenditure is usually slow at the start of the financial year and as departments ensure that old year transactions are captured correctly.

### 3.3 Cash Flow Situation

#### Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 31 JULY 2015	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 JULY 2015
	R	R	R	%
Conditional Grants	64 424 000	64 424 000	64 424 000	-
Workings Capital	428 921 000	192 608 000	385 216 000	43 705 000
Total (incl. investments)	493 345 000	257 032 000	449 640 000	43 705 000

#### **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 2,23: 1 (428 921/192 608).

#### **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.**

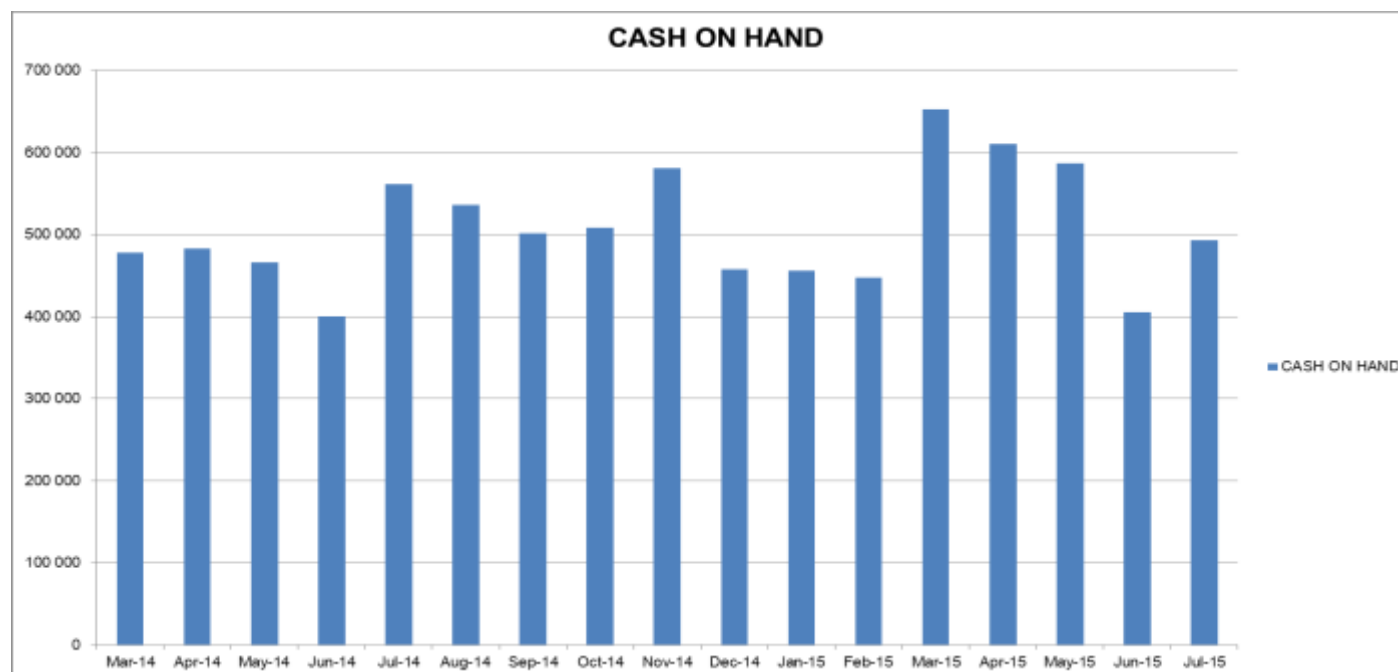
The calculation for the above ratio is as follows: [(173 345 – 64 424) + 320 000) / (2 519 364 – 205 014 – 3 050)/12] which currently sits at 2,23:1.

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 Mar 2014**

**Table:**

	Mar-14	Apr-14	May-14	June-14	July-14	Aug-14	Sept-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	April-15	May-15	Jun-15	Jul-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	478 000	482 637	465 696	399 897	561 308	536 244	501 032	508 007	580 872	457 572	455 589	447 501	652 334	610 458	586 847	405 490	493 345



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 2015	AMOUNT RECEIVED AS AT 31/07/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/07/2015	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>						
Equitable Share	95 802 000	95 802 000	-	19 160 400	20%	
Municipal Infrastructure Grant	29 000 000	29 000 000	-	11 964 595	41%	This expenditure is as per claims submitted to COGTA.
Municipal Systems Improvement Grant	930 000	930 000	-	-	0%	
Financial Management Grant	1 600 000	1 600 000	-	46 550	3%	
Municipal Water Infrastructure Grant	12 721 000	12 721 000	-	-	0%	
Water Services Operating Subsidy	1 750 000	-	1 750 000	-	0%	Unspent 2014/15 grant balance of R 1257 477. 2015/16 grant will only be received once the unspent 2014/15 balance is fully spent
Integrated National Electrification Grant	-	-	-	-	0%	
Rural Households Infrastructure Grant	2 250 000	-	2 250 000	-	0%	Unspent 2014/15 grant balance of R 2352 375. 2015/16 grant will only be received once the unspent 2014/15 balance is fully spent
Extended Public Works Programme	-	-	-	5 555	0%	EPWP receipt due in August 2015.
Infrastructure Skills Development Grant	2 250 000	2 250 000	-	288 928	13%	The 2014/2015 grant was over-spent by R1 071 700. This expenditure will be recovered from the 2015/2016 allocation.
Municipal Demarcation Grant	-	-	-	-	0%	
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>146 303 000</b>	<b>142 303 000</b>	<b>4 000 000</b>	<b>31 466 027</b>	<b>22%</b>	



DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2015	AMOUNT RECEIVED AS AT 31/07/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/07/2015	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>						
Provincialisation of Libraries	-	-	-	1 236 063	0%	MOA is in the processing of being signed and grant transfer will be done once it has been finalised. Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	-	-	-	64 304	0%	MOA is in the processing of being signed and grant transfer will be done once it has been finalised. Expenditure shown is the total operating cost of the Libraries for the period.
Housing Operating Account	-	-	-	748 020	0%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	-	112 867	0%	Expenditure shown is the total operating cost of the Museum.
<b>TOTAL PROVINCIAL TREASURY GRANT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 161 253</b>	<b>0%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>146 303 000</b>	<b>142 303 000</b>	<b>4 000 000</b>	<b>33 627 281</b>	<b>0%</b>	

### 3.4 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 31 July 2015 (0,11%):

FUNCTION	ADOPTED BUDGET 2015/2016	CASH FLOW PROJECTED BUDGET (YTD) AS PER ADOPTED BUDGET TABLES (SA29)	ACTUAL JULY 2015 (YTD)	% OF ADOPTED BUDGET SPENT	% OF CASHFLOW PROJECTION SPENT
	R	R	R		
Executive and Council	92 600	92 600	-	0.00%	0.00%
Budget and Treasury Office	15 000	-	-	0.00%	0.00%
Corporate Services	44 497 900	4 394 100	62 489	0.14%	1.42%
Community and Social Services	40 525 500	10 276 100	-	0.00%	0.00%
Sport and Recreation	41 239 400	14 501 000	-	0.00%	0.00%
Public Safety	21 345 000	4 368 400	-	0.00%	0.00%
Housing	18 000 000	2 500 000	-	0.00%	0.00%
Health	4 866 600	2 633 300	-	0.00%	0.00%
Planning and Development	-	-	-	0.00%	0.00%
Road Transport	42 982 500	2 970 200	-	0.00%	0.00%
Electricity	24 830 600	3 318 200	-	0.00%	0.00%
Water	128 498 650	9 312 950	-	0.00%	0.00%
Waste Water Management (Sanitation)	79 806 550	3 363 150	-	0.00%	0.00%
Waste Management (Solid Waste)	1 777 900	323 200	-	0.00%	0.00%
Other	300 000	300 000	-	0.00%	0.00%
<b>TOTAL</b>	<b>448 778 200</b>	<b>58 353 200</b>	<b>62 489</b>	<b>0.01%</b>	<b>0.11%</b>

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2015/2016	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL JULY 2015 (YTD)	% OF ADOPTED BUDGET SPENT	% OF CASHFLOW PROJECTION SPENT
External Loans	159 702 100	18 760 700	-	0.00%	0.00%
Capital Replacement Reserve	110 082 400	24 327 100	62 489	0.06%	0.26%
MIG	88 496 200	6 900 000	-	0.00%	0.00%
Other National Government Grants	71 382 100	4 750 000	-	0.00%	0.00%
Provincial Government Grants	18 000 000	2 500 000	-	0.00%	0.00%
Public Contributions	1 115 400	1 115 400	-	0.00%	0.00%
<b>TOTAL</b>	<b>448 778 200</b>	<b>58 353 200</b>	<b>62 489</b>	<b>0.01%</b>	<b>0.11%</b>

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	GL Code	Description	Budget
				R				R
8/2/1/1073	158179	New Occupational Clinic Structure	01/07/2015	3 033 717.50	FX005001006003	PRJ0000000010	209_532_10 - Occupational Health Clinic	2 033 800.00
					FX005001006003	PRJ0000000010	209_632_6 - Occupational Health Clinic	1 000 000.00
8/2/1/1060	158208	Routine Maintenance of Surfaced Roads, the Surfacing of Gravel Roads and Concrete Work in uMhlathuze as and when required for a Three (3) Year Period: Section 3: Milling and placing asphalt base and surfacing for 7SB contractors - All areas	03/07/2015	N/A	FX012001004002	022A_241_A4	Road Resealing - Planned Maintenance - Contracted Services	15 000 000.00
8/2/1/UMH13-15/16	158460	Appointment of the Organ of State for a Three (3) Year period for the Management, Operation and Maintenance of Wastewater Treatment Works and Water Treatment Works	15/07/2015	65 243 144.82	FX015001004	044_37	Expenditure: Contracted Services - Outsourced Services: Sewerage Services	9 572 200.00
					FX016001001002	044_37	Expenditure: Contracted Services - Outsourced Services: Sewerage Services	31 587 100.00

### 3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 July 2015:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	615 819 200	51 318 267	43 735 486	85.22%
Remuneration of Councillors	24 728 600	2 060 717	1 927 266	93.52%
Debt Impairment	3 050 000	254 167	201 030	79.09%
Depreciation and asset impairment	205 014 200	17 084 517	17 084 517	100.00%
Finance Charges	79 806 300	6 650 525	6 650 525	100.00%
Bulk Purchases - Electricity	997 804 600	83 150 383	93 748 445	112.75%
Bulk Purchases - Water	136 253 700	11 354 475	10 631 934	93.64%
Other Materials	45 366 400	3 780 533	25 174	0.67%
Contracted Services	204 839 600	17 069 967	4 832 923	28.31%
Transfers and grants	13 883 600	1 156 967	30 602	2.65%
Other Expenditure	192 797 400	16 066 450	9 132 434	56.84%
<b>TOTAL</b>	<b>2 519 363 600</b>	<b>209 946 967</b>	<b>188 000 336</b>	<b>89.55%</b>

**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 2015. Included in Electricity purchases are amounts in terms of the Generation Purchase agreement with Mondi.

A corresponding increase in Revenue amounting to R26 million is apparent under Service Charges – Electricity.

### 3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	360 000 000	30 000 000	33 810 965	112.70%
Service Charges – Electricity revenue	1 386 603 100	115 550 258	141 459 762	122.42%
Service Charges – Water revenue	281 565 000	23 463 750	21 493 116	91.60%
Service Charges – Sanitation revenue	84 000 000	7 000 000	7 048 771	100.70%
Service Charges – Refuse revenue	67 800 000	5 650 000	5 568 847	98.56%
Service Charges – Other revenue	13 304 000	1 108 667	1 833 250	165.36%
Rental of facilities and equipment	10 874 400	906 200	1 001 967	110.57%
Interest earned – external investments	21 981 500	1 831 792	1 971 838	107.65%
Interest earned – outstanding debtors	1 558 000	129 833	151 054	116.34%
Fines	11 231 300	935 942	52 928	5.66%
Licences and permits	1 764 500	147 042	328 847	223.64%
Agency services	7 000 000	583 333	507 948	87.08%
Operating Grants and Subsidies	257 952 700	21 496 058	19 160 416	89.13%
Other Revenue	18 666 400	1 555 533	679 990	43.71%
<b>TOTAL</b>	<b>2 524 300 900</b>	<b>210 358 408</b>	<b>235 069 699</b>	<b>111.75%</b>

The above table represents operating revenue per category as at 31 July 2015.

### 3.7 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2015/2016			ACTUAL AS AT 31 JULY 2015		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Rates and General Services</b>						
Executive and Council	2 955	3 371	(416)	13	(2 805)	2 818
Budget and Treasury Office	394 207	4 406	389 801	36 476	(3 053)	39 529
Corporate Services	6 489	43 945	(37 456)	1 664	4 885	(3 221)
Community and Social Services	10 562	61 319	(50 757)	291	2 512	(2 221)
Sport and Recreation	3 593	125 570	(121 977)	294	7 860	(7 566)
Public Safety	12 193	140 046	(127 853)	197	6 787	(6 590)
Housing	2 147	16 410	(14 263)	110	1 022	(912)
Health	12	9 886	(9 874)	-	524	(524)
Planning and Development	1 834	41 343	(39 509)	156	2 751	(2 595)
Road Transport	10 899	195 018	(184 119)	821	10 734	(9 913)
Water (Portion of PMU funded by Rates & General Services)	7 562	10 484	(2 922)	-	294	(294)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7 562	12 363	(4 801)	-	399	(399)
<b>Total Rates and General Services</b>	<b>460 015</b>	<b>664 161</b>	<b>(204 146)</b>	<b>40 022</b>	<b>31 910</b>	<b>8 112</b>
<b>Airport</b>	<b>596</b>	<b>736</b>	<b>(140)</b>	<b>-</b>	<b>36</b>	<b>(36)</b>
<b>Trading Services</b>						
Electricity	1 393 890	1 211 487	182 403	142 026	110 522	31 504
Water	350 506	369 622	(19 116)	26 930	25 187	1 743
Clarified Water	20 365	17 578	2 787	1 385	757	628
Sewerage	184 724	150 113	34 611	15 288	12 940	2 348
Refuse Removal	114 206	105 667	8 539	9 420	6 649	2 771
<b>Total Trading Services</b>	<b>2 063 691</b>	<b>1 854 467</b>	<b>209 224</b>	<b>195 049</b>	<b>156 055</b>	<b>38 994</b>
<b>Total Service Category</b>	<b>2 524 302</b>	<b>2 519 364</b>	<b>4 938</b>	<b>235 071</b>	<b>188 001</b>	<b>47 070</b>

NOTES:

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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 surplus.

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.

### **3.8 Debtors Age Analysis**

#### **➤ Debtors age analysis by category**

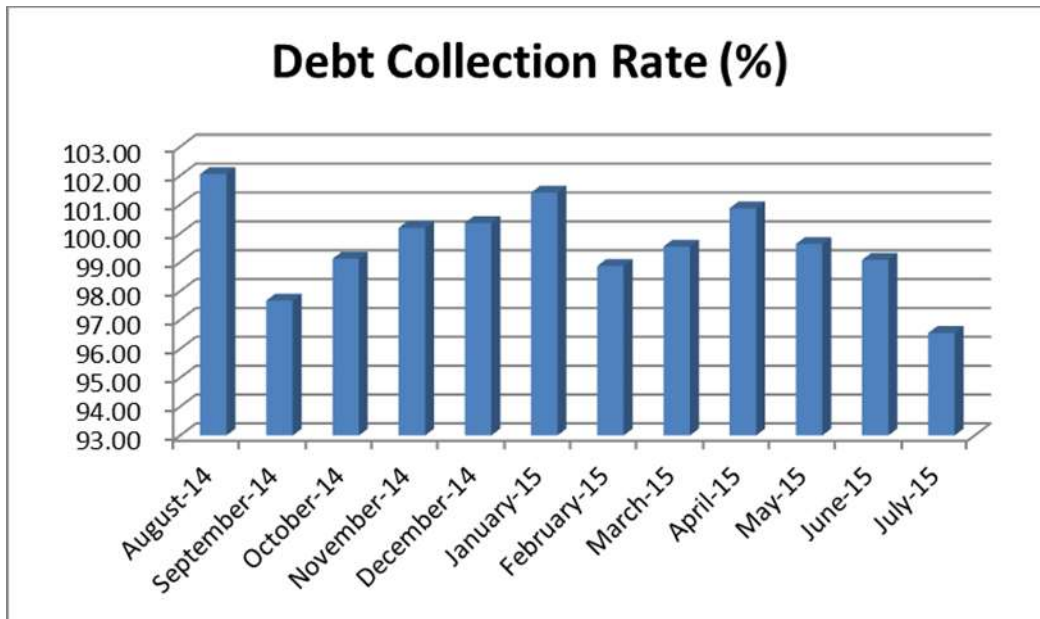
<b>DEBTORS AGE ANALYSIS BY CATEGORY</b>	<b>0-30 DAYS</b>	<b>31-60 DAYS</b>	<b>61-90 DAYS</b>	<b>OVER 90 DAYS</b>	<b>TOTAL</b>
Government	27 027 341	105 358	255 271	1 795 060	29 183 030
Business	121 942 053	4 816 116	1 372 666	28 306 737	156 437 572
Households	62 195 297	2 410 974	2 130 552	43 523 163	110 259 986
Other	-6 932 910	966 997	657 944	13 353 479	8 045 510
<b>Total</b>	<b>204 231 781</b>	<b>8 299 445</b>	<b>4 416 433</b>	<b>86 978 439</b>	<b>303 926 098</b>
<b>%</b>	<b>67.20%</b>	<b>2.73%</b>	<b>1.45%</b>	<b>28.62%</b>	

Included in the debtors age analysis for "Other debtors" aged 0 - 30 days is a credit balance of R13 680 000 being payment received in-respect of land sales.

➤ **Debt Collection Rate**

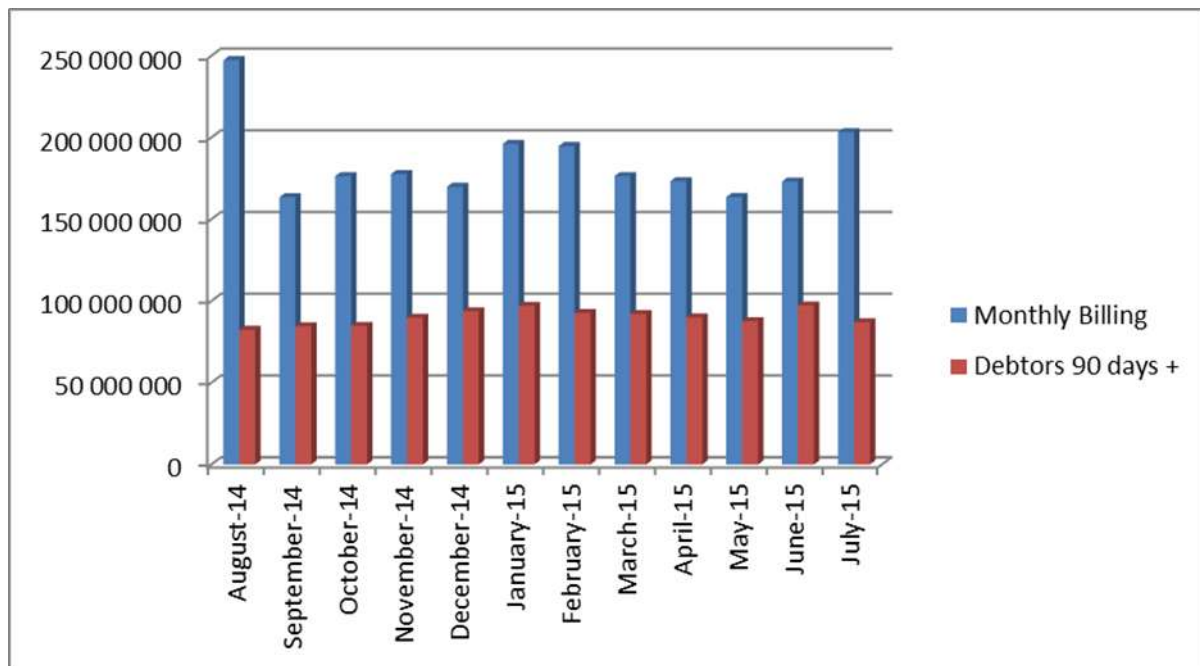
The debt collection rate for the previous 12 months is as follows:

MONTH	PERCENTAGE (%)
July-15	96.55
June-15	99.08
May-15	99.63
April-15	100.87
March-15	99.54
February-15	98.87
January-15	101.41
December-14	100.36
November-14	100.19
October-14	99.12
September-14	97.67
August-14	102.05





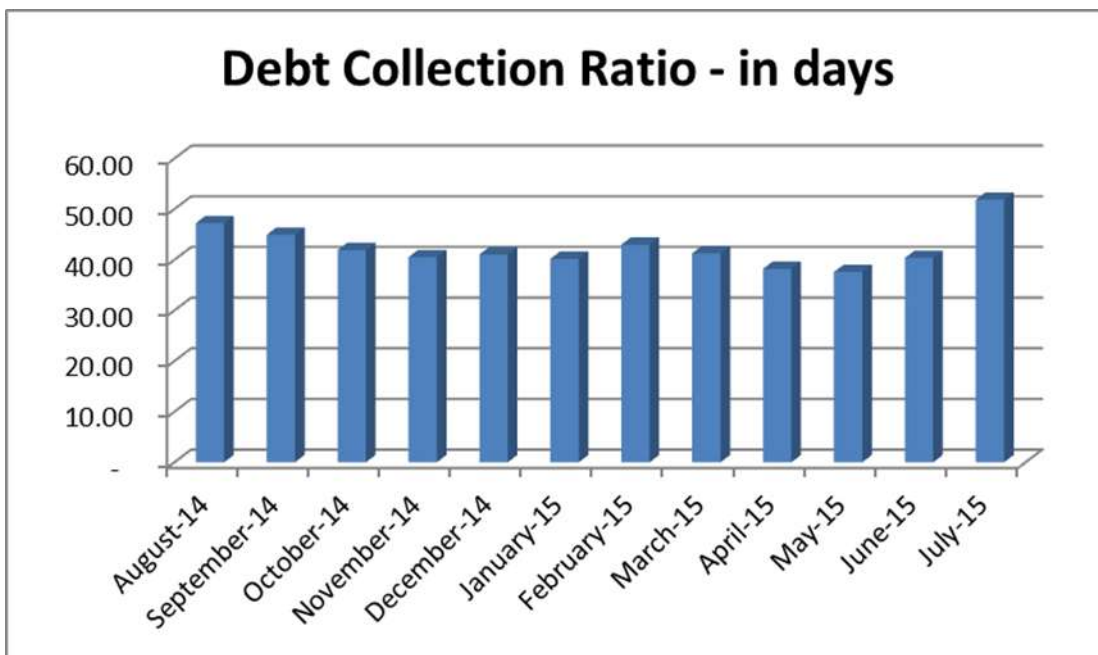
Month	Monthly Billing	Debtors 90 days +	Percentage
July-15	203 257 139	86 978 439	<b>42.79%</b>
June-15	173 081 964	97 215 214	<b>56.17%</b>
May-15	163 518 965	87 638 012	<b>53.60%</b>
April-15	173 226 083	89 918 524	<b>52.16%</b>
March-15	176 382 683	92 006 897	<b>47.56%</b>
February-15	194 758 958	92 636 860	<b>49.43%</b>
January-15	196 088 953	96 924 525	<b>55.12%</b>
December-14	169 766 329	93 569 932	<b>50.51%</b>
November-14	177 574 145	89 696 475	<b>48.08%</b>
October-14	176 327 531	84 775 434	<b>51.72%</b>
September-14	163 364 936	84 495 709	<b>33.28%</b>
August-14	247 284 105	82 292 466	<b>40.53%</b>



### **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:

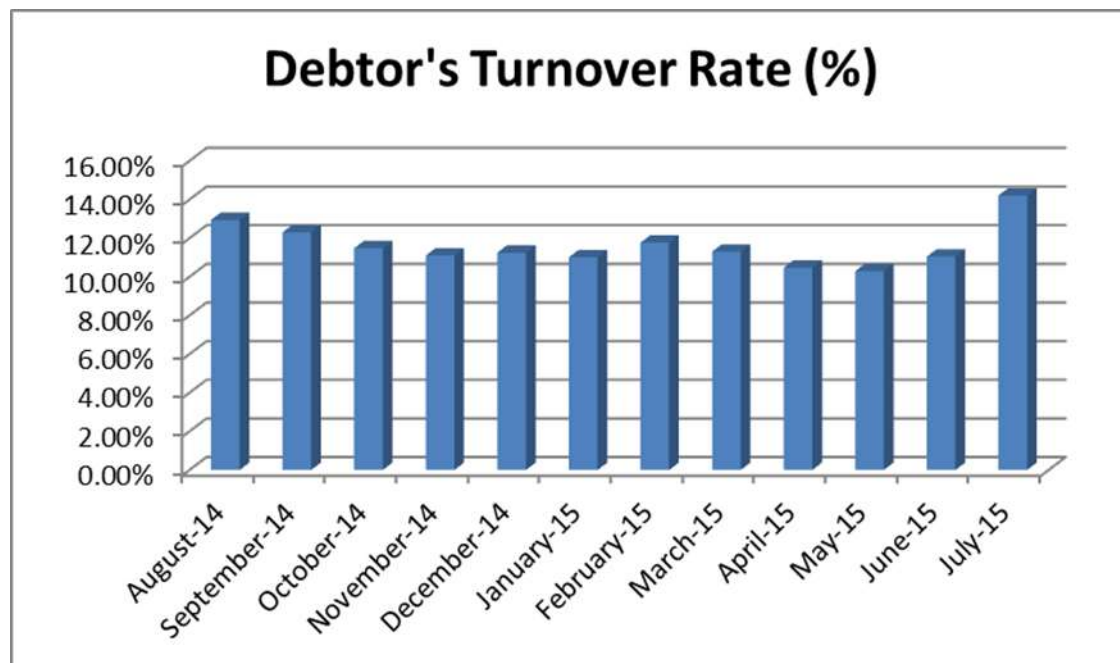
MONTH	COLLECTION IN DAYS
July-15	51.86
June-15	40.35
May-15	37.59
April-15	38.20
March-15	41.26
February-15	42.98
January-15	40.18
December-14	41.05
November-14	40.52
October-14	41.91
September-14	44.93
August-14	47.22



### **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
July-15	14.21%
June-15	11.05%
May-15	10.30%
April-15	10.47%
March-15	11.30%
February-15	11.77%
January-15	11.01%
December-14	11.25%
November-14	11.10%
October-14	11.48%
September-14	12.31%
August-14	12.94%



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

DESCRIPTION	Jul-15
SMS Notification - General	9 217
SMS Notification - It & S	201 571
Final Request - Residential	3 265
Final Request - Business	328
Electricity Disconnection Level 1 (Switch Off Supply)	91
Electricity Disconnection Level 2. Remove Circuit Breaker	2
Illegal Consumption Inspection (Water or Electricity)	1 014
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	640
Water Restriction Level 2. (Install water pressure reducing valve)	9
Water Disconnection (Business accounts)	20
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	206

### ➤ **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	501 772.17	This account is still under investigation and verification by the department. These are agricultural properties. Meetings were held with officials from the DPW and all relevant info submitted. Payment is still awaited. The latest correspondence available on DMS 1070273.
970111	Province of Kwazulu Natal	377 831.64	This account is still under investigation and verification by the Human settlement Department. This an open space property. The latest correspondence available on dms 1031396 and 1064772.
1991812	Province of Kwazulu Natal	279 033.14	Property at Dumisane Makhaye Village on which a municipal pump station is situated. The matter is still under investigation by Dept of Human settlement. The latest correspondence available on dms 1031396 and 1064772.
1552318	Department of Public Works	163 350.37	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 still awaited. The latest correspondence available on dms 1031396 and 1064769 and 1064777. Follow up emails have been sent.
1552357	Department of Public Works	124 832.92	This account is still under investigation and verification by the department. These are agricultural properties. Meetings were held with officials from the DPW and all relevant info submitted. Payment is awaited. The latest correspondence available on dms 1031396 and 1064769 and 1064777. Follow up e-mails have been sent.
1340659	Department of Public Works	45 506.41	This account is still under investigation and verification by the Department (Ngw B451 service charges). Meetings were held with officials from the DPW and all relevant info submitted. Payment is awaited. The latest correspondence available on dms 1031396.
1009849	Department of Public Works	37 802.63	This account is still under investigation and verification by the Department (Ngw B451 rates). Meetings were held with officials from the DPW and all relevant info submitted. Payment is awaited. The latest correspondence available on dms 1031396, 1064774 and 1070284.
325680	Department of Public Works	27 109.87	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. Previous correspondence available on dms 1031396 and 1064778. Latest correspondence on DMS 1070295.
2092688	Province of Kwazulu Natal	25 696.40	This account is still under investigation and verification by the Human settlement. This an open space property. The latest correspondence available on dms 1031396 and 1064772.
1628278	Department of Public Works	22 626.19	This account is still under investigation and verification by the Human settlement. Property was sold to Natal Roads Department but never transferred. Refer to correspondence on DMS 1076092.

➤ **The Top 10 Arrear Business Accounts**

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	15 961 290	18 972 790	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. Council has now launched an anti-dissipation order application in an attempt to prevent the debtor from selling all his assets. This is to try and prevent a case where Council could be successful with the court case but still have no assets to attach. A decision was also taken to refuse the issuing of clearance certificates and this matter is also now going to be heard in court as they have launched a counter application to force Council to issue clearance certificates. The court date for the urgent applications will be heard, is set for early in June 2015.
				June 2015 - The court date for the application to be heard is set for 16 March 2016
				July 2015 - There is no further progress as the court date has been set.
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. No further progress since previous report.
				July 2015 - There is no further progress as the matter has been set down for arbitration. The legal services section is handling this matter.
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
				July 2015 - No further progress to report.

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1940649	Shifting Sands (Pty) Ltd	533 904	1 074 233	The account is in respect of services to a business park in Empangeni. The charges were charges to the previous owner and there was a large amount corrected on the account. There are still some aspects of the account that is under dispute which require possible correction and the Metered Services Section within the Finance July 2015 - All corrections required have been actioned. The matter is now being discussed with the customer.
1610626	Tisand (Pty) Ltd	2 603 807	2 893 271	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. Council attorneys have now advised of a similar matter which now provides case law. The advise is currently being studied and will be reported on. July 2015 - No further progress to report.
416383	River Rock Invest (Pty) Ltd	1 304 393	1 509 463	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 July 2015 - No further progress to report. The matter is being handled by the Legal Services section together with City Development department.
392020	River Rock Invest (Pty) Ltd	563 009	1 292 744	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 July 2015 - No further progress to report. The matter is being handled by the Legal Services section together with City Development department.
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.

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1941346	Mcclelland Prop Dev	805 020	897 410	<p>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 debtor's attorneys have now applied for rates clearance figures and the total debt will be paid before the clearance is issued. A guarantee was received for the full outstanding amount.</p> <p>July 2015 - The monies will be paid upon registration of the property. This is expected in August 2015.</p>
2024857	Sugarberry Trading	522 960	522 960	<p>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 contract was formally cancelled and has now been handed over to Council's attorneys for collection.</p>



### 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 R101 617,30 as per **Annexure AB - DMS 1075669**.

Councillor's debt amounts to R7 985,35 as per **Annexure AC - DMS 1075669**.

### 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 2015/2015	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	14 362 800	1 196 900	2 994 564	(1 797 664)	250%
Overtime - Structured	21 544 500	1 795 375	-	1 795 375	0%
<b>TOTAL</b>	<b>35 907 300</b>	<b>2 992 275</b>	<b>2 994 564</b>	<b>(2 289)</b>	<b>100%</b>

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

EMPLOYEES	JULY 2015	
	Total Hours	Total Employees
Permanent	30 581	759
Temporary	643	69
	<b>31 224</b>	<b>828</b>

Planned Repairs and Maintenance programmes should be a 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 of July 2015. The relevant departments have supplied the comments for the over-expenditure incurred on overtime.

DEPARTMENT	ADOPTED BUDGET 2015/2015	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
Community Services	18 520 100	1 543 342	1 532 636	10 706	99%
Corporate Services	431 500	35 958	47 596	(11 637)	132%
Financial Services	128 100	10 675	14 469	(3 794)	136%
Infrastructure and Technical Services	16 827 600	1 402 300	1 396 309	5 991	100%
Office of the Municipal Manager	-	-	3 555	(3 555)	0%
<b>Total</b>	<b>35 907 300</b>	<b>2 992 275</b>	<b>2 994 564</b>	<b>(2 289)</b>	<b>100%</b>

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

There were no transfers processed in the month of July 2015.

## 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									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
COMMUNITY SERVICES AND HEALTH									
FX011001005	Fire Fighting and Protection	1 077 200	1 615 800	2 693 000	224 417	225 423	-	225 423	(1 006)
FX011001007	Police Forces, Traffic and Stre	1 361 200	2 041 700	3 402 900	283 575	246 199	-	246 199	37 376
FX005001006003	Occupational Clinic	54 900	82 300	137 200	11 433	-	-	-	11 433
FX005001012	Security Services	-	-	-	-	47 258	-	47 258	(47 258)
FX012001005	Taxi Ranks	46 400	69 500	115 900	9 658	9 772	-	9 772	(114)
FX014001003	Solid Waste Removal	1 793 400	2 690 200	4 483 600	373 633	507 438	-	507 438	(133 804)
FX014001004	Street Cleansing	2 132 100	3 198 200	5 330 300	444 192	337 400	-	337 400	106 792
FX015001001	Public Toilets	60 400	90 500	150 900	12 575	15 251	-	15 251	(2 676)
<b>Total</b>		<b>6 525 600</b>	<b>9 788 200</b>	<b>16 313 800</b>	<b>1 359 483</b>	<b>1 388 741</b>	<b>-</b>	<b>1 388 741</b>	<b>(29 257)</b>

#### □ Security Services

The over expenditure was mainly caused by unplanned emergency situations at security wherein the VIP personnel had to work long extra hours at *ad hoc*. No budget allocation was made during the 2015/16 Adopted Budget as the overtime investigation was still under review, this will be resolved during the Adjusted Budget process.

❑ **Solid Waste. Street Cleaning and Public Toilets**

Overtime is unavoidable in order to keep the City clean. Waste Management is an essential service and therefore has to work with half of staff members during weekends, and has to perform a full service during public holidays. The month of June had a holiday and four weekends, and that would have contributed to over expenditure. It be noted that number of staff working overtime at a time has been limited to weekends and holidays only and it has not increased for the last three years.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
COMMUNITY SERVICES AND HEALTH									
FX001001003	Cemeteries	366 800	550 300	917 100	76 425	52 730	-	52 730	23 695
FX001001005002	Halls	39 300	58 900	98 200	8 183	8 999	-	8 999	(816)
FX013002004001	Sport Development and Sportfields	89 900	134 800	224 700	18 725	28 628	-	28 628	(9 903)
FX013002004002	Sports Grounds and Stadiums - Stadium	-	-	-	-	-	-	-	-
FX013001001	Beaches and Jetties	171 400	257 200	428 600	35 717	32 309	-	32 309	3 408
FX013002003003	Recreational Facilities - Swimming Pools	186 400	279 600	466 000	38 833	656	-	656	38 177
FX013001002	Community Parks (including Nurseries)	28 700	43 000	71 700	5 975	20 574	-	20 574	(14 599)
<b>Total</b>		<b>882 500</b>	<b>1 323 800</b>	<b>2 206 300</b>	<b>183 858</b>	<b>143 895</b>	<b>-</b>	<b>143 895</b>	<b>39 963</b>

□ **Halls**

Empangeni and Ngwelezane Halls

The general routine cleaning of Empangeni Community Service Centre after each function to maintain the service standard required by our clients (The Public) and the way our facilities operates is now advanced in terms of allocating all structures of government as well as the public ordinary functions that will determine the need of overtime from time to time

eSikhaleni and Richards Bay Halls

The routine cleaning of Halls and Community Service Centres after each function if it happens to have recurrence functions i.e. Weddings and the Funeral.

□ **Sport Development and Sportsfield**

Due to a number of high profile events such as the KZN Premier's Cup and Kaizer Chiefs vs Orlando Pirates Legends match which were hosted at Central Sport complex, officials had to do cleaning and line marking throughout the events. The rainy weather also made it impossible to do line marking during working days and other fields had to be marked over weekends.

□ **Community Parks**

Most of the overtime done during this period was due to trucks being at the Mechanical Workshop for a long period of time. The department had trucks that had been standing at the Workshop for weeks and beyond, and that resulted in a backlog in collection of vegetation debris and overtime was schedule improve or clear vegetation debris as per our operational requirements.

## 5.2 Corporate Services

### 5.2.1 Overtime

CORPORATE SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
ADMINISTRATION									
FX005001001	Administrative and Corporate Support	119 100	178 700	297 800	24 817	27 340	-	27 340	(2 523)
FX005001008	Legal Services	-	-	-	-	153	-	153	(153)
FX004001001001	Mayor & Council	29 200	43 700	72 900	6 075	20 103	-	20 103	(14 028)
FX005001007	Information Technology	24 300	36 500	60 800	5 067	-	-	-	5 067
<b>Total</b>		<b>172 600</b>	<b>258 900</b>	<b>431 500</b>	<b>35 958</b>	<b>47 596</b>	<b>-</b>	<b>47 596</b>	<b>(11 637)</b>

#### □ Administration and Corporate Support and Mayor and Council Support

- The delivery of Agendas for Councillors;
- Loud hailing for the State of the City Address and also worked on the day of the State Of the City Address; and
- Public Participation staff attended public meetings.

### 5.3 Financial Services

#### 5.3.1 Overtime

FINANCIAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
FX005001003002	Revenue and Expenditure	14 700	22 200	36 900	3 075	-	-	-	3 075
FX005001013	Supply Chain Management	36 500	54 700	91 200	7 600	14 469	-	14 469	(6 869)
<b>Total</b>		<b>51 200</b>	<b>76 900</b>	<b>128 100</b>	<b>10 675</b>	<b>14 469</b>	<b>-</b>	<b>14 469</b>	<b>(3 794)</b>

#### □ 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 Municipal Manager

### 5.4.1 Overtime

MUNICIPAL MANAGER									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
FX005001009	Marketing, Customer Relations, Publicity	-	-	-	-	1 386	-	1 386	(1 386)
FX004001002005	Municipal Manager	-	-	-	-	2 168	-	2 168	(2 168)
<b>Total</b>		-	-	-	-	<b>3 555</b>	-	<b>3 555</b>	<b>(3 555)</b>

#### □ Marketing, Customer Relations and Publicity and Office of the Municipal Manager

Employees from the Office of the Municipal Manager Marketing, Customer Relations and Publicity and were part of the staff assisting during the State of the City.



## 5.5 Infrastructure and Technical Services

### 5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
ELECTRICAL SUPPLY SERVICES									
FX002001001001	Marketing and Customer relations	19 600	29 400	49 000	4 083	21 184	-	21 184	(17 101)
FX002001001003	Process Control Systems	11 400	17 200	28 600	2 383	9 104	-	9 104	(6 720)
FX002001001004	Electricity and gas Distribution and Planning	1 886 300	2 829 500	4 715 800	392 983	272 853	-	272 853	120 131
FX002001002	Street lighting	52 400	78 500	130 900	10 908	87 224	-	87 224	(76 316)
<b>Total</b>		<b>1 969 700</b>	<b>2 954 600</b>	<b>4 924 300</b>	<b>410 358</b>	<b>390 365</b>	<b>-</b>	<b>390 365</b>	<b>19 993</b>

#### □ Marketing and Customer Relations, Process Control Systems and Street Lighting

Expenditure for overtime was incorrectly allocated to Marketing and Customer Relations, Process Control Systems and Street Lighting, whereas it needed to be allocated to Electricity and gas distribution and planning. A correction journal has been prepared and the correct expenditure will be reflected in August 2015.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
ENGINEERING SUPPORT SERVICES									
FX010001007001	Project Management Unit - Administration	3 300	5 000	8 300	692	-	-	-	692
FX005001005	Fleet Management	224 500	336 800	561 300	46 775	39 037	-	39 037	7 738
FX001001005001	Building Maintenance	-	-	-	-	15 184	-	15 184	(15 184)
<b>Total</b>		<b>227 800</b>	<b>341 800</b>	<b>569 600</b>	<b>47 467</b>	<b>54 221</b>	<b>-</b>	<b>54 221</b>	<b>(6 755)</b>

□ **Building Maintenance**

Employees were required to work overtime during the period as there were roof leaks at the Civic Centre from a heavy rainstorm.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
TRANSPORT, ROADS AND STORMWATER									
FX012001004002	Roads - Urban Roads	16 000	24 000	40 000	3 333	27 627	-	27 627	(24 294)
FX012001004003	Roads - Rural Roads	16 000	24 100	40 100	3 342	-	-	-	3 342
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-
<b>Total</b>		<b>32 000</b>	<b>48 100</b>	<b>80 100</b>	<b>6 675</b>	<b>27 627</b>	<b>-</b>	<b>27 627</b>	<b>(20 952)</b>

□ **Roads – Urban Roads**

Emergency work was performed on Mzingazi Canal to prevent soil erosion.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL JULY 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
WATER AND SANITATION SERVICES									
FX015001002002	Sewerage - Pumpstations	193 900	290 900	484 800	40 400	39 475	-	39 475	925
FX015001002003	Sewerage - Sewerage Network	2 143 300	3 215 000	5 358 300	446 525	829 476	-	829 476	(382 951)
FX016001001003	Water Treatment - Scientific Services	20 900	31 300	52 200	4 350	55 144	-	55 144	(50 794)
FX016001002001	Water Distribution - Rural Water	2 143 300	3 215 000	5 358 300	446 525	-	-	-	446 525
<b>Total</b>		<b>4 501 400</b>	<b>6 752 200</b>	<b>11 253 600</b>	<b>937 800</b>	<b>924 095</b>	<b>-</b>	<b>924 095</b>	<b>13 705</b>

❑ **Sewerage – Sewerage Network**

Expenditure for overtime was incorrectly allocated to Sewerage Network, whereas it needed to be allocated to Water distribution - Rural Water. A correction journal has been prepared and the correct expenditure will be reflected in August 2015.

❑ **Scientific Services**

Expenditure for overtime was incorrectly allocated to Scientific Services, whereas it needed to be allocated to Water distribution - Rural Water. A correction journal has been prepared and the correct expenditure will be reflected in August 2015.

## 6. **IN-YEAR BUDGET STATEMENT TABLES**

The following monthly budget statement tables (**DMS 1075551**) 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
Table C4	Monthly Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
Table C5C	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	H
Table C6	Monthly Budgeted Financial Position	I
Table C7	Monthly Budgeted Cash Flows	J
Table SC1	Material variance explanations	K
Table SC2	Monthly Performance indicators	L
Table SC3	Aged Debtors	M
Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
Table SC7(1)	Transfers and grant expenditure	Q
Table SC7(2)	Expenditure Against Approved Rollovers	R
Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y

## **PART 2 - SUPPORTING DOCUMENTATION**

### **7. DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 July 2015.

### **8. CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 July 2015.

### **9. INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 July 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 31 July 2015.

### **11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 July 2015.

### **12. CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 July 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 0,11% (R 62 489) of the Adopted budget of R448,9 million. Refer to 3.3 above for capital budget summary.

#### **14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Refer to **DMS 1078842 (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 including the comments on the SCOA project.

##### **RECOMMENDED THAT:**

1. the financial position of the uMhlathuze Municipality as at 31 July 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 1075551**) be noted with appreciation; and
2. the comments on the Municipal Standard Chart of Accounts (SCOA) project status included under point 3.1 of the report be noted.