

**10388**  
**FINANCIAL REPORTING AS AT 31 AUGUST 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 August 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 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 August 2015 is included under **Annexures Z and AA (DMS 1081720)**.

## DISCUSSION

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

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### 1. **MAYOR'S REPORT**

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

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

- (b) *a summary of any financial problems or risks facing the municipality or any such entity; and*
- (c) *any other information considered relevant by the Mayor."*

### **Monthly Report - August 2015**

The monthly budget statement summary (Table C1) for the month of August 2015 (year to date actual), shows a surplus of R94,2 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 low at R8,7 million (1,94%). This is based on the Adopted Capital Budget of R449 million.

The low spend in August 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;
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 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 (authorisations) not 100% set up for all Departments;
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 August 2015:

DESCRIPTION	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	2 524 300 900	420 716 817	487 582 938	115.89%
Expenditure	2 519 363 600	419 893 933	393 424 565	93.70%
	<b>4 937 300</b>	<b>822 883</b>	<b>94 158 373</b>	

As can be seen from the table above, Actual Surplus for the month ended 31 August 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 AUGUST 2015	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 AUGUST 2015
	R	R	R	%
Conditional Grants	52 612 000	52 612 000	52 612 000	-
Workings Capital	478 570 000	192 608 000	385 216 000	93 354 000
Total (incl. investments)	531 182 000	245 220 000	437 828 000	93 354 000

#### **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 2,49: 1 (478 570/192 608).

#### **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.**

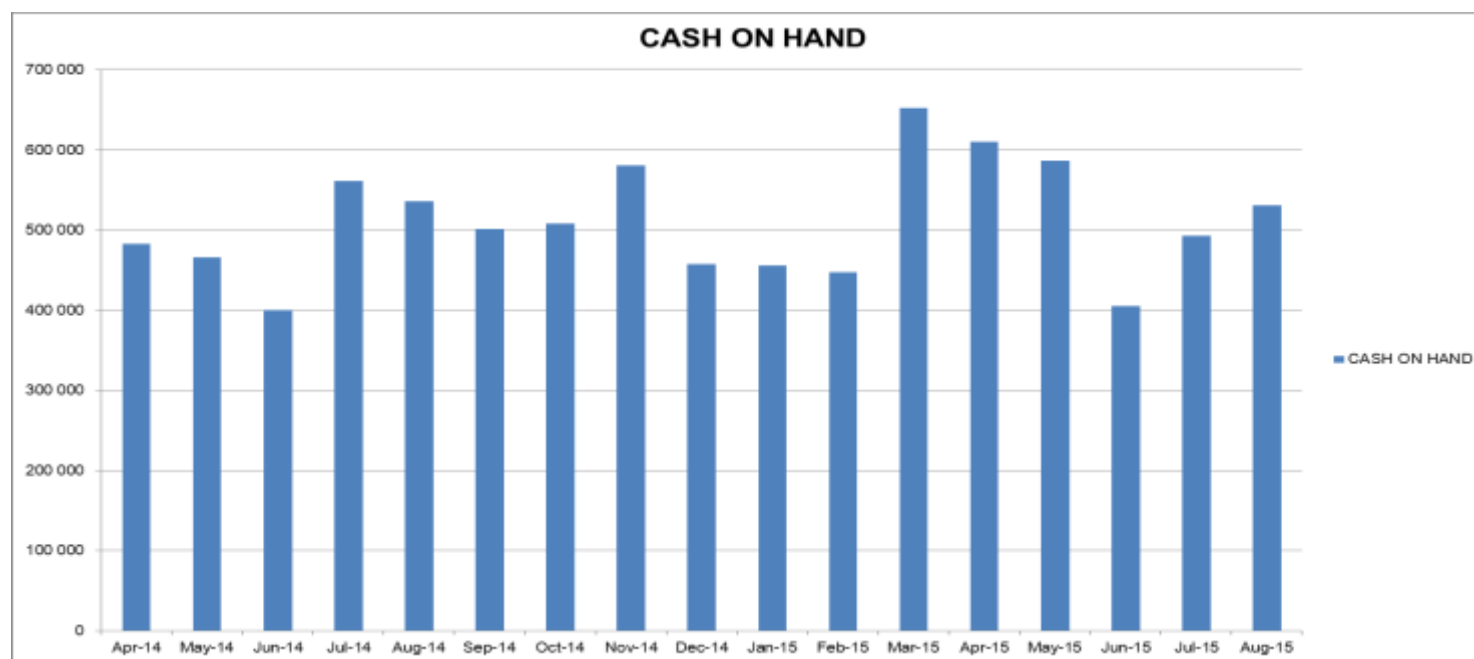
The calculation for the above ratio is as follows:  $[(236\,182 - 52\,612) + 295\,000] / (2\,519\,364 - 205\,014 - 3\,050)/12]$  which currently sits at 2,49:1.

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 April 2014**

**Table:**

	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	Aug-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	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	531 182



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 GAZETTED FOR AUGUST 2015	AMOUNT RECEIVED AS AT 30/06/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/08/2015	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>							
Equitable Share	95 802 000	-	95 802 000	134 123 000	38 320 800	40%	
Municipal Infrastructure Grant	29 000 000	-	29 000 000	64 154 000	23 169 152	80%	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	-	171 163	11%	
Municipal Water Infrastructure Grant	12 721 000	-	12 721 000	38 161 000	-	0%	
Water Services Operating Subsidy	1 750 000	-	-	7 000 000	-	0%	
Integrated National Electrification Grant	-	-	-	9 000 000	-	0%	
Rural Households Infrastructure Grant	2 250 000	-	-	4 500 000	-	0%	
Extended Public Works Programme	-	1 184 000	1 184 000	1 777 000	13 067	1%	
Infrastructure Skills Development Grant	2 250 000	-	2 250 000	5 250 000	635 924	28%	The 2014/2015 grant was over-spent by R1 071 700. This expenditure will be recovered from the 2015/2016 allocation.
Municipal Demarcation Grant	-	-	-	1 857 000	-	0%	
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>146 303 000</b>	<b>1 184 000</b>	<b>143 487 000</b>	<b>265 822 000</b>	<b>62 310 106</b>	<b>43%</b>	



DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2015	AMOUNT GAZETTED FOR AUGUST 2015	AMOUNT RECEIVED AS AT 30/06/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/08/2015	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>							
Provincialisation of Libraries	-	-	-	6 289 000	2 686 258	0%	Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	-	-	-	1 020 000	127 579	0%	
Housing Operating Account	-	-	-	1 047 000	1 684 353	0%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	-	166 000	257 881	0%	Expenditure shown is the total operating cost of the Museum.
<b>TOTAL PROVINCIAL TREASURY GRANT</b>	-	-	-	<b>8 522 000</b>	<b>4 756 070</b>	<b>0%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>146 303 000</b>	<b>1 184 000</b>	<b>143 487 000</b>	<b>274 344 000</b>	<b>67 066 176</b>	<b>47%</b>	

### 3.4 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 31 August 2015 (1,94%):

FUNCTION	ADOPTED BUDGET 2015/2016	CASH FLOW PROJECTED BUDGET (YTD) AS PER ADOPTED BUDGET TABLES (SA29)	ACTUAL AUGUST 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	2 474 020	5.56%	56.30%
Community and Social Services	40 525 500	10 276 100	1 156 941	2.85%	11.26%
Sport and Recreation	41 239 400	14 501 000	343 806	0.83%	2.37%
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	40 938	0.10%	1.38%
Electricity	24 830 600	3 318 200	3 727 713	15.01%	112.34%
Water	128 498 650	9 312 950	954 706	0.74%	10.25%
Waste Water Management (Sanitation)	79 806 550	3 363 150	15 000	0.02%	0.45%
Waste Management (Solid Waste)	1 777 900	323 200	-	0.00%	0.00%
Other	300 000	300 000	80	0.03%	0.03%
<b>TOTAL</b>	<b>448 778 200</b>	<b>58 353 200</b>	<b>8 713 204</b>	<b>1.94%</b>	<b>14.93%</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 AUGUST 2015 (YTD)	% OF ADOPTED BUDGET SPENT	% OF CASHFLOW PROJECTION SPENT
External Loans	159 702 100	18 760 700	5 112 250	3.20%	27.25%
Capital Replacement Reserve	110 082 400	24 327 100	1 412 780	1.28%	5.81%
MIG	88 496 200	6 900 000	610 293	0.69%	8.84%
Other National Government Grants	71 382 100	4 750 000	1 577 882	2.21%	33.22%
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>8 713 204</b>	<b>1.94%</b>	<b>14.93%</b>

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	GL Code	Description	Budget
				R				R
8/2/1/1096 (8/2/1/Umh22-15/16 and 8/2/1/Umh23- 15/16)	158762	Richards bay and Nseleni Water Improvement Phase 1: Portion 3 and 4.	21/08/2015	52 255 541.98	FX016001002002	884_25	Nseleni Pipe Replacement (Mwig)	10 000 000.00
8/2/1/1107	158234	Intensive Leak Detection	05/08/2015	N/A	Tender teferred back to the user department.			
8/2/1/1066 (8/2/1/UMH30-15/16)	157975	Refurbishment of Ntuze Hall	12/08/2015	N/A	Tender referred back to the Bid Evaluation Committee			
8/2/1/1096 (8/2/1/Umh22-15/16 and 8/2/1/Umh23- 15/16)	158633	Richards bay and Nseleni Water Improvement Phase 1: Portion 3 and 4.	12/08/2015	N/A	The Tender will be held in Abeyance.			
8/2/1/1072	158254	Provision of Mentoring and Training Services for Emerging Contractors within the City of uMhlathuze	19/08/2015	N/A	Tender referred back to the user department.			
8/2/1/1107 (8/2/1/UMH06-15/16)	158234	Intensive Leak Detection	21/08/2015	N/A	The Tender will be held in Abeyance.			

### 3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	615 819 200	102 636 533	87 618 216	85.37%
Remuneration of Councillors	24 728 600	4 121 433	3 779 024	91.69%
Debt Impairment	3 050 000	508 333	201 030	39.55%
Depreciation and asset impairment	205 014 200	34 169 033	34 169 030	100.00%
Finance Charges	79 806 300	13 301 050	13 301 050	100.00%
Bulk Purchases - Electricity	997 804 600	166 300 767	197 762 666	118.92%
Bulk Purchases - Water	136 253 700	22 708 950	21 571 967	94.99%
Other Materials	45 366 400	7 561 067	11 863	0.16%
Contracted Services	204 839 600	34 139 933	10 361 298	30.35%
Transfers and grants	13 883 600	2 313 933	1 151 458	49.76%
Other Expenditure	192 797 400	32 132 900	23 496 963	73.12%
<b>TOTAL</b>	<b>2 519 363 600</b>	<b>419 893 933</b>	<b>393 424 565</b>	<b>93.70%</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 August 2015. Included in Electricity purchases are amounts in terms of the Generation Purchase agreement with Mondi.

A corresponding increase in Revenue amounting to R50 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 AUGUST 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	360 000 000	60 000 000	64 332 960	107.22%
Service Charges – Electricity revenue	1 386 603 100	231 100 517	312 550 841	135.24%
Service Charges – Water revenue	281 565 000	46 927 500	33 831 691	72.09%
Service Charges – Sanitation revenue	84 000 000	14 000 000	13 702 848	97.88%
Service Charges – Refuse revenue	67 800 000	11 300 000	11 146 645	98.64%
Service Charges – Other revenue	13 304 000	2 217 333	2 694 667	121.53%
Rental of facilities and equipment	10 874 400	1 812 400	1 963 428	108.33%
Interest earned – external investments	21 981 500	3 663 583	3 268 279	89.21%
Interest earned – outstanding debtors	1 558 000	259 667	325 318	125.28%
Fines	11 231 300	1 871 883	532 357	28.44%
Licences and permits	1 764 500	294 083	605 614	205.93%
Agency services	7 000 000	1 166 667	930 160	79.73%
Operating Grants and Subsidies	257 952 700	42 992 117	39 115 404	90.98%
Other Revenue	18 666 400	3 111 067	2 582 726	83.02%
<b>TOTAL</b>	<b>2 524 300 900</b>	<b>420 716 817</b>	<b>487 582 938</b>	<b>115.89%</b>

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

### 3.7 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2015/2016			ACTUAL AS AT 31 AUGUST 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)	25	(4 656)	4 681
Budget and Treasury Office	394 207	4 406	389 801	57 285	(3 321)	60 606
Corporate Services	6 489	43 945	(37 456)	1 647	7 635	(5 988)
Community and Social Services	10 562	61 319	(50 757)	563	6 829	(6 266)
Sport and Recreation	3 593	125 570	(121 977)	443	17 030	(16 587)
Public Safety	12 193	140 046	(127 853)	755	13 827	(13 072)
Housing	2 147	16 410	(14 263)	998	2 177	(1 179)
Health	12	9 886	(9 874)	-	1 167	(1 167)
Planning and Development	1 834	41 343	(39 509)	409	5 846	(5 437)
Road Transport	10 899	195 018	(184 119)	1 516	21 820	(20 304)
Water (Portion of PMU funded by Rates & General Services)	7 562	10 484	(2 922)	-	614	(614)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7 562	12 363	(4 801)	-	845	(845)
<b>Total Rates and General Services</b>	<b>460 015</b>	<b>664 161</b>	<b>(204 146)</b>	<b>63 641</b>	<b>69 813</b>	<b>(6 172)</b>
<b>Airport</b>	<b>596</b>	<b>736</b>	<b>(140)</b>	<b>-</b>	<b>73</b>	<b>(73)</b>
<b>Trading Services</b>						
Electricity	1 393 890	1 211 487	182 403	313 822	110 522	203 300
Water	350 506	369 622	(19 116)	57 197	25 187	32 010
Clarified Water	20 365	17 578	2 787	3 565	757	2 808
Sewerage	184 724	150 113	34 611	30 501	12 940	17 561
Refuse Removal	114 206	105 667	8 539	18 856	6 649	12 207
<b>Total Trading Services</b>	<b>2 063 691</b>	<b>1 854 467</b>	<b>209 224</b>	<b>423 941</b>	<b>156 055</b>	<b>267 886</b>
<b>Total Service Category</b>	<b>2 524 302</b>	<b>2 519 364</b>	<b>4 938</b>	<b>487 582</b>	<b>225 941</b>	<b>261 641</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 all the trading services namely Electricity, Water, Sewerage and Refuse Removal are making profit.

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**

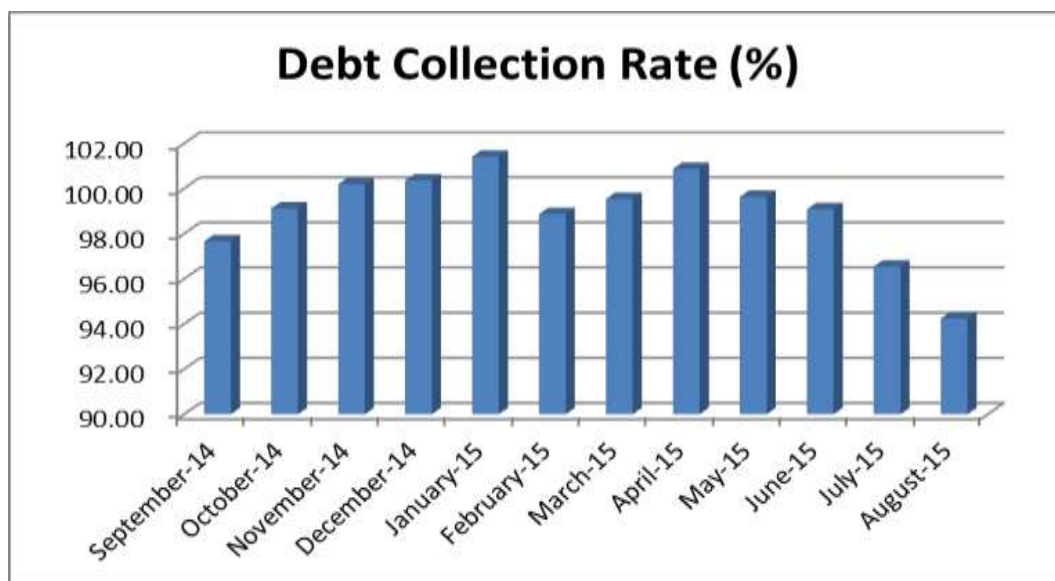
#### **➤ Debtors age analysis by category**

<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	28 533 867	265 053	85 123	2 009 825	30 893 868
Business	211 320 739	3 423 676	3 243 794	28 387 556	246 375 765
Households	61 832 629	31 761 695	2 122 799	44 429 658	140 146 781
Other	10 979 920	718 722	906 094	12 986 165	25 590 901
<b>Total</b>	<b>312 667 155</b>	<b>36 169 146</b>	<b>6 357 810</b>	<b>87 813 204</b>	<b>443 007 315</b>
<b>%</b>	<b>70.58%</b>	<b>8.16%</b>	<b>1.44%</b>	<b>19.82%</b>	

➤ **Debt Collection Rate**

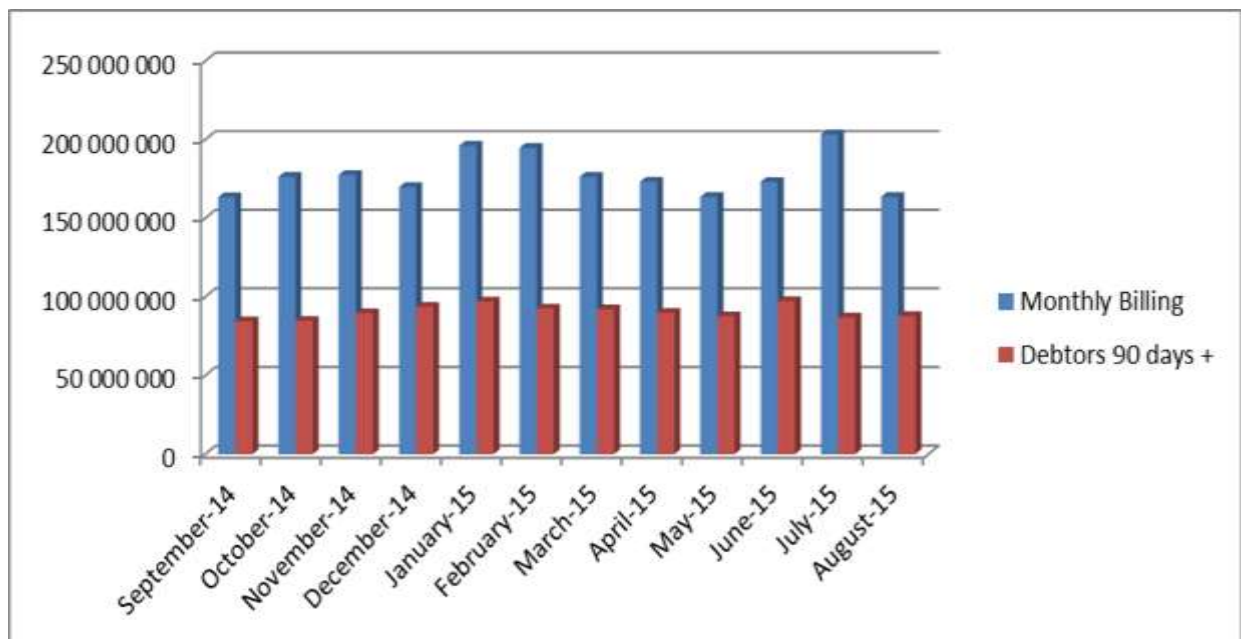
The debt collection rate for the previous 12 months is as follows:

MONTH	PERCENTAGE (%)
August-15	94.24
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





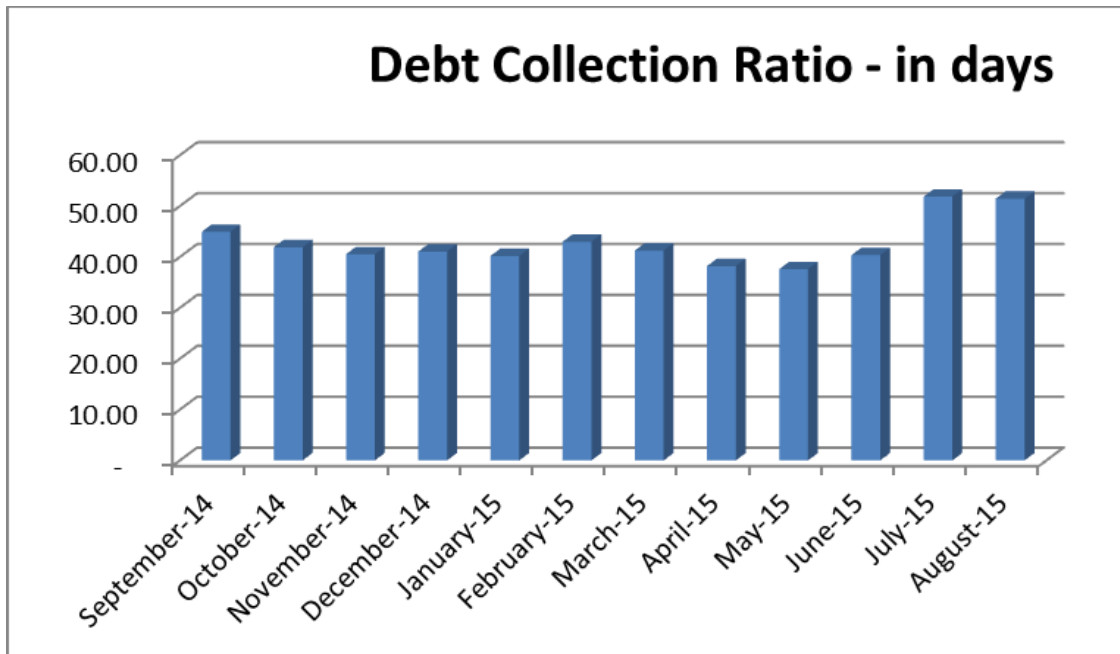
Month	Monthly Billing	Debtors 90 days +	Percentage
August-15	163 599 892	87 813 204	<b>53.68%</b>
July-15	203 257 139	86 978 439	<b>42.79%</b>
June-15	173 081 964	97 215 214	<b>56.17%</b>
May-15	163 518 965	87 638 012	<b>53.60%</b>
April-15	173 226 083	89 918 524	<b>52.16%</b>
March-15	176 382 683	92 006 897	<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>



## **Debt Collection Rate**

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

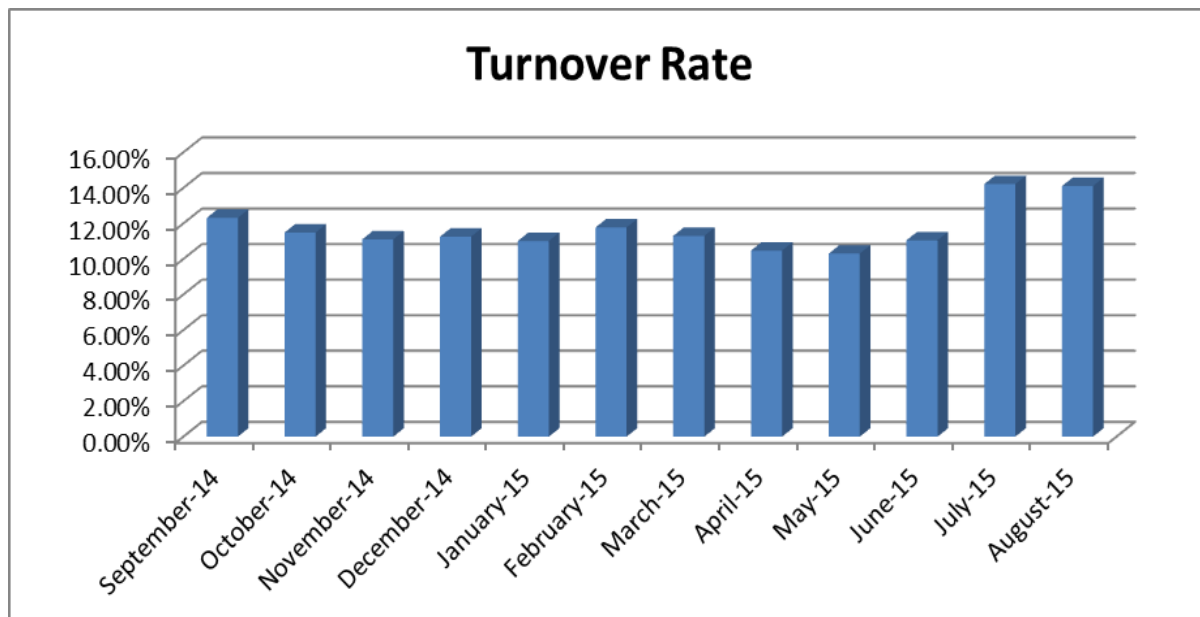
MONTH	COLLECTION IN DAYS
August-15	51.45
July-15	51.86
June-15	40.35
May-15	37.59
April-15	38.20
March-15	41.26
February-15	42.98
January-15	40.18
December-14	41.05
November-14	40.52
October-14	41.91
September-14	44.93



### **Turnover Rate of Debtors (%)**

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

MONTH	TURNOVER RATE
August-15	14.21%
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%



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

DESCRIPTION	Jul-15	Aug-15
SMS Notification - General	9 217	5 832
SMS Notification - It & S	201 571	53 674
Final Request - Residential	3 265	2 305
Final Request - Business	328	148
Electricity Disconnection Level 1 (Switch Off Supply)	91	125
Electricity Disconnection Level 2. Remove Circuit Breaker	2	7
Illegal Consumption Inspection (Water or Electricity)	1 014	1 996
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	640	803
Water Restriction Level 2. (Install water pressure reducing valve)	9	8
Water Disconnection (Business accounts)	20	24
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	206	181

#### **➤ 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	558 625.73	This account is still under investigation and verification by the department. These are agricultural properties. We have submitted all relevant information to DPW. Payment is still awaited. The latest correspondence available on dms 1070273. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
970111	Province of Kwazulu Natal	377 831.64	This account is still under investigation and verification by the Human settlement. This is an open space property. The latest correspondence available on dms 1031396 and 1064772. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
1991812	Province of Kwazulu Natal	347 284.98	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. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
1552318	Department of Public Works	198 679.55	This account is still under investigation and verification by the department. These are agricultural properties. We have submitted all relevant information to DPW. Payment is still awaited. The latest correspondence available on dms 1031396 and 1064769 and 1064777. Follow up emails have been sent. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
1552357	Department of Public Works	151 912.04	This account is still under investigation and verification by the department. These are agricultural properties. We have submitted all relevant information to DPW. Payment is awaited. The latest correspondence available on dms 1031396 and 1064769 and 1064777. Follow up e-mails have been sent. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
1340659	Department of Public Works	47 870.23	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. The latest correspondence available on dms 1031396 Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
1009849	Department of Public Works	59 074.04	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. The latest correspondence available on dms 1031396, 1064774 and 1070284. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
325680	Department of Public Works	32 641.39	This account is still under investigation and verification by the department. Latest correspondence on dms 1075911. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
2092688	Province of Kwazulu Natal	26 094.66	This account is still under investigation and verification by the Human settlement. This is an open space property. The latest correspondence available on dms 1031396 and 1064772. We are still awaiting feedback. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted
1628278	Department of Public Works	27 361.44	This account is still under investigation and verification by the department. Property was sold to Natal Roads Dept but was never transferred. Refer to correspondence on DMS 1076092. No further progress Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted

➤ **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
				August 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.
				August 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
				August 2015 - No further progress to report.

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1940649	Shifting Sands (Pty) Ltd	507 455	1 147 446	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 August 2015 - All corrections required have been actioned. The matter is now being discussed with the customer.
1610626	Tisand (Pty) Ltd	2 675 559	2 981 496	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. August 2015 - No further progress to report.
416383	River Rock Invest (Pty) Ltd	1 355 660	1 560 730	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 August 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	569 941	1 336 586	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 August 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
2024857	Sugarberry Trading	522 960	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 contract was formally cancelled and has now been handed over to Council's attorneys for collection.
				July 2015 - On request of the Legal Services section, this matter is being held in abeyance pending further negotiations with the debtor.
				Aug 2015 - No further progress to report.
416383	RBT Resources (Pty) Ltd	629 989	991 546	Aug 2015 - This account is for outstanding rates. There is discussions / negotiations underway with the company and the matter is expected to be resolved shortly.



### 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 R 151 641,27 as per **Annexure AB - DMS 1081720**.

Councillor's debt amounts to R 7 516,33 as per **Annexure AC - DMS 1081720**.

### 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, whereafter 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 AUGUST 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		AUGUST 2015	
	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	30 581	759	30 953	766
Temporary	643	69	403	20
	<b>31 224</b>	<b>828</b>	<b>31 356</b>	<b>786</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 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2015 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
Community Services	18 520 100	3 086 683	2 977 292	109 391	96%
Corporate Services	431 500	71 917	73 996	(2 079)	103%
Financial Services	128 100	21 350	26 578	(5 228)	124%
Infrastructure and Technical Services	16 827 600	2 804 600	2 850 464	(45 864)	102%
Office of the Municipal Manager	-	-	3 555	(3 555)	0%
<b>Total</b>	<b>35 907 300</b>	<b>5 984 550</b>	<b>5 931 885</b>	<b>52 665</b>	<b>99%</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

DEPARTMENT	JULY 2015	AUGUST 2015	TOTAL NUMBER OF TRANSFERS
Corporate Services	-	72 000	72 000
Community Services	-	-	877 600
Office of The Municipal Manager	-	877 600	884 500
City Development	-	6 900	4 746 900
Financial Services	-	4 740 000	4 790 000
ITS - Electrical Supply Services	-	50 000	50 000
ITS - Engineering Support Services	-	-	-
ITS - Roads and Stormwater	-	-	-
ITS - Water and Sanitation Services	-	-	5 746 500
<b>TOTAL</b>	<b>-</b>	<b>5 746 500</b>	<b>17 167 500</b>

## 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 AUGUST 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	448 833	395 427	-	395 427	53 406
FX011001007	Police Forces, Traffic and Stre	1 361 200	2 041 700	3 402 900	567 150	547 947	-	547 947	19 203
FX005001006003	Occupational Clinic	54 900	82 300	137 200	22 867	-	-	-	22 867
FX005001012	Security Services	-	-	-	-	70 247	-	70 247	(70 247)
FX012001005	Taxi Ranks	46 400	69 500	115 900	19 317	23 706	-	23 706	(4 389)
FX014001003	Solid Waste Removal	1 793 400	2 690 200	4 483 600	747 267	861 129	-	861 129	(113 862)
FX014001004	Street Cleansing	2 132 100	3 198 200	5 330 300	888 383	748 837	-	748 837	139 546
FX015001001	Public Toilets	60 400	90 500	150 900	25 150	29 249	-	29 249	(4 099)
<b>Total</b>		<b>6 525 600</b>	<b>9 788 200</b>	<b>16 313 800</b>	<b>2 718 967</b>	<b>2 676 542</b>	<b>-</b>	<b>2 676 542</b>	<b>42 425</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**

Waste Management is a basic service which cannot be interrupted if we are to keep our environment clean. It bears noting that the month at hand had 5 weekends, which contributed more to expenditure. Furthermore, the section is under budgeted and this has to be looked at. It be noted that all the overtime worked was planned and approved. The expenditure is still stable without any fluctuation, which shows that there is no abuse but is based on need for this essential service.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 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	152 850	117 217	-	117 217	35 633
FX001001005002	Halls	39 300	58 900	98 200	16 367	33 900	-	33 900	(17 533)
FX013002004001	Sport Development and Sportfields	89 900	134 800	224 700	37 450	42 454	-	42 454	(5 004)
FX013002004002	Sports Grounds and Stadiums - Stadium	-	-	-	-	-	-	-	-
FX013001001	Beaches and Jetties	171 400	257 200	428 600	71 433	58 486	-	58 486	12 947
FX013002003003	Recreational Facilities - Swimming Pools	186 400	279 600	466 000	77 667	656	-	656	77 011
FX013001002	Community Parks (including Nurseries)	28 700	43 000	71 700	11 950	48 036	-	48 036	(36 086)
<b>Total</b>		<b>882 500</b>	<b>1 323 800</b>	<b>2 206 300</b>	<b>367 717</b>	<b>300 749</b>	<b>-</b>	<b>300 749</b>	<b>66 968</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**

Overspending at Sport and Recreation Sub-section last month was caused by the fact that major events were hosted at eSikhaleni College and Central Sport Complex. Officials had to do litter picking, cleaning of ablution facilities and line marking throughout those events.

□ **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 AUGUST 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	49 633	45 642	-	45 642	3 991
FX005001008	Legal Services	-	-	-	-	153	-	153	(153)
FX004001001001	Mayor & Council	29 200	43 700	72 900	12 150	28 201	-	28 201	(16 051)
FX005001007	Information Technology	24 300	36 500	60 800	10 133	-	-	-	10 133
<b>Total</b>		<b>172 600</b>	<b>258 900</b>	<b>431 500</b>	<b>71 917</b>	<b>73 996</b>	<b>-</b>	<b>73 996</b>	<b>(2 080)</b>

#### □ Mayor and Council

The reason for over-expenditure in our section is that we had many events and programmes coming from all spheres of Government which requires Public Participation and Council Support attention. In these events/ programmes we assisted with community mobilisation in a form of loud hailing in all wards, Fliers distribution and attending the events, to make sure that all is in order.

### 5.3 Financial Services

#### 5.3.1 Overtime

FINANCIAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 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	6 150	-	-	-	6 150
FX005001013	Supply Chain Management	36 500	54 700	91 200	15 200	26 578	-	26 578	(11 378)
<b>Total</b>		<b>51 200</b>	<b>76 900</b>	<b>128 100</b>	<b>21 350</b>	<b>26 578</b>	<b>-</b>	<b>26 578</b>	<b>(5 228)</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 AUGUST 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 AUGUST 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	8 167	-	-	-	8 167
FX002001001003	Process Control Systems	11 400	17 200	28 600	4 767	9 104	-	9 104	(4 337)
FX002001001004	Electricity and gas Distribution and Planning	1 886 300	2 829 500	4 715 800	785 967	776 481	-	776 481	9 486
FX002001002	Street lighting	52 400	78 500	130 900	21 817	15 012	-	15 012	6 805
<b>Total</b>		<b>1 969 700</b>	<b>2 954 600</b>	<b>4 924 300</b>	<b>820 717</b>	<b>800 597</b>	<b>-</b>	<b>800 597</b>	<b>20 120</b>

#### □ Process Control Systems

Over-expenditure on overtime is as a result of the system output enable at time they exceed the limit due to parity bits and the APN will resolve this issue once we have it running currently we are on month to month.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 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	1 383	-	-	-	1 383
FX005001005	Fleet Management	224 500	336 800	561 300	93 550	81 356	-	81 356	12 194
FX001001005001	Building Maintenance	-	-	-	-	21 267	-	21 267	(21 267)
<b>Total</b>		<b>227 800</b>	<b>341 800</b>	<b>569 600</b>	<b>94 933</b>	<b>102 623</b>	<b>-</b>	<b>102 623</b>	<b>(7 690)</b>

□ **Building Maintenance**

Three employees were working at the Council Chamber after hours covering the steps for people living with disability to use wheel chairs.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 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	6 667	56 688	-	56 688	(50 021)
FX012001004003	Roads - Rural Roads	16 000	24 100	40 100	6 683	-	-	-	6 683
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-
<b>Total</b>		<b>32 000</b>	<b>48 100</b>	<b>80 100</b>	<b>13 350</b>	<b>56 688</b>	<b>-</b>	<b>56 688</b>	<b>(43 338)</b>

□ **Roads – Urban Roads**

During the period of 22-25 July 2015 heavy rainstorms were experienced that deems this adverse weather. Stormwater Infrastructure that is designed for normal rainstorms of 1:5year floods were over-capacity due to abnormal rainfall and therefore plenty of flooding and blockages were experienced of certain properties, roads etc. Workers had to work after-hours to unblock or divert stormwater flows to minimise or mitigate damage through flooding.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2015			PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 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	80 800	64 482	-	64 482	16 318
FX015001002003	Sewerage - Sewerage Network	2 143 300	3 215 000	5 358 300	893 050	1 313 651	-	1 313 651	(420 601)
FX016001001003	Water Treatment - Scientific Services	20 900	31 300	52 200	8 700	10 079	-	10 079	(1 379)
FX016001002001	Water Distribution - Rural Water	2 143 300	3 215 000	5 358 300	893 050	251 174	-	251 174	641 876
FX016001002002	Water Distribution - Urban Water	-	-	-	-	251 169	-	251 169	(251 169)
<b>Total</b>		<b>4 501 400</b>	<b>6 752 200</b>	<b>11 253 600</b>	<b>1 875 600</b>	<b>1 890 555</b>	<b>-</b>	<b>1 890 555</b>	<b>(14 955)</b>

❑ **Sewerage – Sewerage Network**

A major factor that contributes on over-expenditure on overtime is the ever increasing of the Municipality's 'ageing' water and wastewater infrastructure, which result more pipe burst, leaks and sewerage spills. 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 utilised are spending more time in work shop than at work, 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 and proper repair 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.

❑ **Scientific Services**

Water Quality officials attend Water Pollution Incidents as they occur therefore overtime is never planned.

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

The following monthly budget statement tables (**DMS 1081717**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEXURE
Table C1	Monthly Budget Statement Summary	A
Table C2	Monthly Budget Financial Performance (Standard Classification)	B
Table C2C	Monthly Budget Financial Performance (Detail) (Standard Classification)	C
Table C3	Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table C3C	Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
Table C4	Monthly Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
Table C5C	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	H
Table C6	Monthly Budgeted Financial Position	I
Table C7	Monthly Budgeted Cash Flows	J
Table SC1	Material variance explanations	K
Table SC2	Monthly Performance indicators	L
Table SC3	Aged Debtors	M
Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
Table SC7(1)	Transfers and grant expenditure	Q
Table SC7(2)	Expenditure Against Approved Rollovers	R
Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y

## **PART 2 - SUPPORTING DOCUMENTATION**

### **7. DEBTORS ANALYSIS**

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

### **8. CREDITORS ANALYSIS**

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

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

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

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

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

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

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

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

Refer to **DMS 1083609** (**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.

## **DISCUSSION HELD BY THE FINANCIAL SERVICES COMMITTEE ON 23 SEPTEMBER 2015**

In response to a concern raised in respect of the state of Council's Mechanical Workshop and the fact that repairs take too long, it was explained that management is currently busy compiling a report to indicate the various options and suggestions for Council to consider improving the situation. Specific reference was made to the shortage of traffic vehicles and the Chief Financial Officer informed that Committee that traffic vehicles will be prioritised in the subsequent financial year.

Of further concern was the excessive payment relating to overtime and it was requested that consideration be given to place some sort of restriction on the number of overtime hours worked / claimable.

## **RECOMMENDED THAT:**

1. the financial position of the uMhlathuze Municipality as at 31 August 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 1081717)** be noted; and
2. the comments on the Municipal Standard Chart of Accounts (SCOA) project status included under point 3.1 of the report be noted.