

10540
FINANCIAL REPORTING AS AT 31 OCTOBER 2015

This report is submitted directly to the Executive Committee with the concurrence of the Mayor, Councillor M G Mhlongo.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 October 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 September 2015 is included under **Annexures Z and AA (DMS 1094409)**.

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 - October 2015

The monthly budget statement summary (Table C1) for the month of October 2015 (year to date actual), shows a surplus of R122,1 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well.

Capital Expenditure

Council is in the beginning of the financial year and capital expenditure is low at R52,9 million (11,79%). This is based on the Adopted Capital Budget of R449 million.

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 Nationwide 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 the Umhlathuze Municipality "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. The Municipality 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 order component of the financial system is not working;
2. Contract Payments Module not functional yet. Main reason being that the user departments are not using the module and interrogating any issues that might arise therefrom;
3. Automated Work flow (authorisations) not 100% set up for all Departments;
4. Due to the initial challenges when going "live", there is a back-log with current year payments. A plan is in place to remedy such backlog.

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

3.2 Operating Budget

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

DESCRIPTION	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	2 524 300 900	841 433 633	885 844 289	105.28%
Expenditure	2 519 363 600	839 787 867	763 710 352	90.94%
	4 937 300	1 645 767	122 133 937	

As can be seen from the table above, Actual Surplus for the month ended 31 October 2015 is significantly 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 whilst departments ensure that old year transactions are captured correctly.

3.3 Cash Flow Situation

Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 31 OCTOBER 2015	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 OCTOBER 2015
	R	R	R	R
Conditional Grants	74 946 000	74 946 000	74 946 000	-
Workings Capital	462 554 000	192 608 000	385 216 000	77 338 000
Total (incl. investments)	537 500 000	267 554 000	460 162 000	77 338 000

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 2,40: 1 (462 554/192 608).

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.**

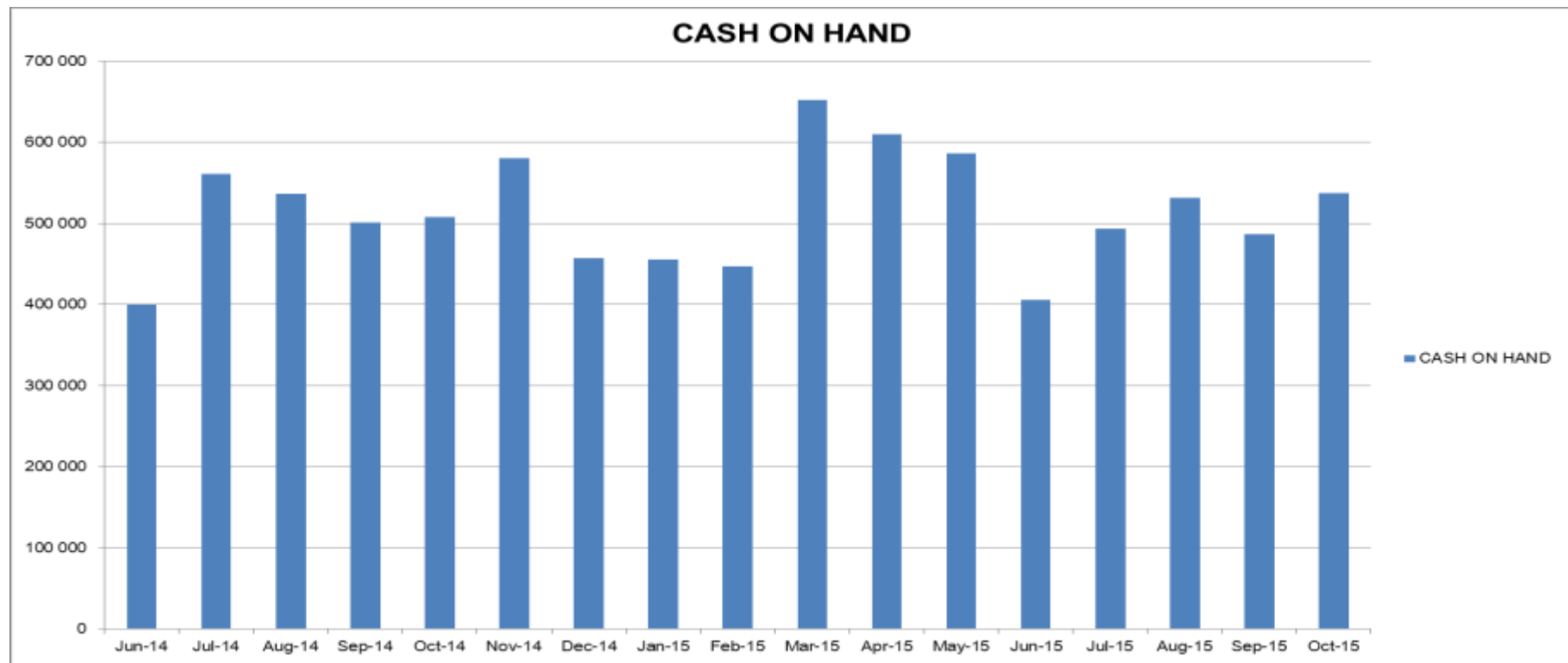
The calculation for the above ratio is as follows: [(222 500 – 74 946) + 315 000) / (2 519 364 – 205 014 – 3 050) / 12] which currently sits at 2,40:1.

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

Bank Balance Trend since June 2014

Table:

	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	Sept-15	Oct-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	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	486 628	537 500



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

3.4 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2015	AMOUNT GAZETTED FOR AUGUST 2015	AMOUNT GAZETTED FOR SEPTEMBER 2015	AMOUNT GAZETTED FOR OCTOBER 2015	TOTAL TO BE RECEIVED AS AT 30/06/2016	AMOUNT RECEIVED AS AT 31/10/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/10/2015	% SPENT	COMMENTS
NATIONAL TREASURY										
Equitable Share	95 802 000	-	-	-	229 925 000	95 802 000	134 123 000	76 641 667	80%	
Municipal Infrastructure Grant	29 000 000	-	-	26 000 000	93 154 000	55 000 000	38 154 000	41 596 906	76%	This expenditure is as per claims submitted to COGTA.
Municipal Systems Improvement Grant	930 000	-	-	-	930 000	930 000	-	39 564	4%	
Financial Management Grant	1 600 000	-	-	-	1 600 000	1 600 000	-	412 822	26%	
Municipal Water Infrastructure Grant	12 721 000	-	-	25 440 000	50 882 000	38 161 000	12 721 000	4 315 573	11%	
Water Services Operating Subsidy	1 750 000	-	-	3 500 000	7 000 000	-	7 000 000	1 975 050	0%	
Integrated National Electrification Grant	-	-	2 000 000	-	9 000 000	2 000 000	7 000 000	-	0%	
Rural Households Infrastructure Grant	2 250 000	-	-	-	4 500 000	-	4 500 000	3 052 984	0%	
Extended Public Works Programme	-	1 184 000	-	-	2 961 000	1 184 000	1 777 000	31 450	3%	
Infrastructure Skills Development Grant	2 250 000	-	-	-	7 500 000	2 250 000	5 250 000	1 689 528	75%	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	-	1 857 000	-	0%	
TOTAL NATIONAL TREASURY GRANTS	146 303 000	1 184 000	2 000 000	54 940 000	409 309 000	196 927 000	212 382 000	129 755 544	66%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2015	AMOUNT GAZETTED FOR AUGUST 2015	AMOUNT GAZETTED FOR SEPTEMBER 2015	AMOUNT GAZETTED FOR OCTOBER 2015	TOTAL TO BE RECEIVED AS AT 30/06/2016	AMOUNT RECEIVED AS AT 31/10/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/10/2015	% SPENT	COMMENTS
PROVINCIAL TREASURY										
Provincialisation of Libraries	-	-	6 289 000	-	6 289 000	-	6 289 000	5 787 667	0%	Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	-	-	1 020 000	-	1 020 000	-	1 020 000	256 186	0%	
Housing Operating Account	-	-	1 047 000	-	1 047 000	1 188 680	(141 680)	3 341 606	281%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	-	-	166 000	-	166 000	601 975	0%	Expenditure shown is the total operating cost of the Museum.
TOTAL PROVINCIAL TREASURY GRANT	-	-	8 356 000	-	8 522 000	1 188 680	7 333 320	9 987 434	840%	
TOTAL GRANTS AND SUBSIDIES	146 303 000	1 184 000	10 356 000	54 940 000	417 831 000	198 115 680	219 715 320	139 742 979	71%	

3.5 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 31 October 2015 (11,79%):

FUNCTION	ADOPTED BUDGET 2015/2016	CASH FLOW PROJECTED BUDGET (YTD) AS PER ADOPTED BUDGET TABLES (SA29)	ACTUAL OCTOBER 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	15 000	-	0.00%	0.00%
Corporate Services	44 497 900	19 471 900	9 462 691	21.27%	48.60%
Community and Social Services	40 525 500	22 521 100	1 923 291	4.75%	8.54%
Sport and Recreation	41 239 400	27 489 400	2 307 618	5.60%	8.39%
Public Safety	21 345 000	15 755 200	-	0.00%	0.00%
Housing	18 000 000	10 000 000	-	0.00%	0.00%
Health	4 866 600	4 792 400	80	0.00%	0.00%
Planning and Development	-	-	-	0.00%	0.00%
Road Transport	42 982 500	10 079 200	266 250	0.62%	2.64%
Electricity	24 830 600	12 537 000	1 198 812	4.83%	9.56%
Water	128 498 650	42 991 050	27 529 393	21.42%	64.04%
Waste Water Management (Sanitation)	79 806 550	21 480 950	9 733 708	12.20%	45.31%
Waste Management (Solid Waste)	1 777 900	1 123 200	479 270	26.96%	42.67%
Other	300 000	300 000	-	0.00%	0.00%
TOTAL	448 778 200	188 649 000	52 901 112	11.79%	28.04%

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 OCTOBER 2015 (YTD)	% OF ADOPTED BUDGET SPENT	% OF CASHFLOW PROJECTION SPENT
External Loans	159 702 100	67 065 900	19 955 891	12.50%	29.76%
Capital Replacement Reserve	110 082 400	63 867 700	4 877 766	4.43%	7.64%
MIG	88 496 200	22 300 000	16 801 602	18.99%	75.34%
Other National Government Grants	71 382 100	24 300 000	11 265 853	15.78%	46.36%
Provincial Government Grants	18 000 000	10 000 000	-	0.00%	0.00%
Public Contributions	1 115 400	1 115 400	-	0.00%	0.00%
TOTAL	448 778 200	188 649 000	52 901 112	11.79%	28.04%

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	GL Code	Description	Budget
				R				R
8/2/1/umh 59-15/16	157069	The provision of security: Tender Area - Cash Offices and Substation	14/10/2015	4 291 093.00	various as contained in DMS 1082690	various as contained in DMS 1082690	various as contained in DMS 1082690	various as contained in DMS 1082690
		The provision of security: Tender Area - Diverse Security Services		5 974 941.00				
		The provision of security: Tender Area - Halls, Parks and Recreational Buildings		7 700 749.68				
		The provision of security: Tender Area - Council major buildings and sites		11 319 263.28				
		The provision of security: Tender Area - Water treatment works and sewerage pumpstations		6 629 981.00				

3.7 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	615 819 200	205 273 067	188 033 692	91.60%
Remuneration of Councillors	24 728 600	8 242 867	7 611 213	92.34%
Debt Impairment	3 050 000	1 016 667	201 030	19.77%
Depreciation and asset impairment	205 014 200	68 338 067	68 418 633	100.12%
Finance Charges	79 806 300	26 602 100	26 602 100	100.00%
Bulk Purchases - Electricity	997 804 600	332 601 533	349 665 087	105.13%
Bulk Purchases - Water	136 253 700	45 417 900	43 228 431	95.18%
Other Materials	45 366 400	15 122 133	6 760 534	44.71%
Contracted Services	204 839 600	68 279 867	22 346 503	32.73%
Transfers and grants	13 883 600	4 627 867	1 696 250	36.65%
Other Expenditure	192 797 400	64 265 800	49 146 879	76.47%
TOTAL	2 519 363 600	839 787 867	763 710 352	90.94%

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

A corresponding increase in Revenue amounting to R103 million is apparent under Service Charges – Electricity.

3.8 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 OCTOBER 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	360 000 000	120 000 000	125 580 427	104.65%
Service Charges – Electricity revenue	1 386 603 100	462 201 033	534 710 686	115.69%
Service Charges – Water revenue	281 565 000	93 855 000	72 982 750	77.76%
Service Charges – Sanitation revenue	84 000 000	28 000 000	27 264 379	97.37%
Service Charges – Refuse revenue	67 800 000	22 600 000	22 359 511	98.94%
Rental of facilities and equipment	10 874 400	3 624 800	866 195	23.90%
Interest earned – external investments	21 981 500	7 327 167	6 925 252	94.51%
Interest earned – outstanding debtors	1 558 000	519 333	716 606	137.99%
Fines	11 231 300	3 743 767	902 378	24.10%
Licences and permits	1 764 500	588 167	1 153 801	196.17%
Agency services	7 000 000	2 333 333	1 888 860	80.95%
Operating Grants and Subsidies	257 952 700	85 984 233	81 204 317	94.44%
Other Revenue	31 970 400	10 656 800	9 289 127	87.17%
TOTAL	2 524 300 900	841 433 633	885 844 289	105.28%

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

3.9 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2015/2016			ACTUAL AS AT 31 OCTOBER 2015		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Rates and General Services						
Executive and Council	2 955	3 371	(416)	81	(7 737)	7 818
Budget and Treasury Office	394 207	4 406	389 801	123 369	(2 623)	125 992
Corporate Services	6 489	43 945	(37 456)	(533)	12 816	(13 349)
Community and Social Services	10 562	61 319	(50 757)	1 148	13 313	(12 165)
Sport and Recreation	3 593	125 570	(121 977)	1 112	35 972	(34 860)
Public Safety	12 193	140 046	(127 853)	1 229	30 333	(29 104)
Housing	2 147	16 410	(14 263)	3 052	4 495	(1 443)
Health	12	9 886	(9 874)	-	2 480	(2 480)
Planning and Development	1 834	41 343	(39 509)	668	12 389	(11 721)
Road Transport	10 899	195 018	(184 119)	2 982	52 352	(49 370)
Water (Portion of PMU funded by Rates & General Services)	7 562	10 484	(2 922)	858	2 647	(1 789)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7 562	12 363	(4 801)	858	3 094	(2 236)
Total Rates and General Services	460 015	664 161	(204 146)	134 824	159 531	(24 707)
Airport	596	736	(140)	-	146	(146)
Trading Services						
Electricity	1 393 890	1 211 487	182 403	537 532	421 741	115 791
Water	350 506	369 622	(19 116)	92 024	106 942	(14 918)
Clarified Water	20 365	17 578	2 787	22 810	4 366	18 444
Sewerage	184 724	150 113	34 611	60 862	39 554	21 308
Refuse Removal	114 206	105 667	8 539	37 791	31 431	6 360
Total Trading Services	2 063 691	1 854 467	209 224	751 019	604 034	146 985
Total Service Category	2 524 302	2 519 364	4 938	885 843	763 711	122 132

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 the trading services namely Electricity, Water, Sewerage and Refuse Removal are expected to be profitable, only Electricity, Sewer and Refuse services are making surpluses.

As part of Council's Revenue Enhancement Policy approved in July 2013, a considerable effort needs to be made to improve the surplus for the remaining trading services by reducing expenditure 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.

3.10 Debtors Age Analysis

➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	6 077 902	127 123	5 685 781	1 999 318	13 890 124
Business	174 579 279	2 979 922	2 200 733	26 506 079	206 266 013
Households	56 044 686	5 300 701	5 095 576	73 747 177	140 188 140
Other	8 993 425	762 685	752 240	13 756 889	24 265 239
Total	245 695 292	9 170 431	13 734 330	116 009 463	384 609 516
%	63.88%	2.38%	3.57%	30.16%	

➤ **Breakdown of Challenges per Category**

1. Government Accounts

TOP 10 GOVERNMENT ACCOUNTS			
ACCOUNT NUMBER	NAME OF DEPARTMENT	TOTAL	COMMENTS
		R	
1552325	Department of Public Works	566 398.35	The account is for assessment rates. 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 Sept 2015 - No further progress to report the department is still busy with verification
970111	Province of Kwazulu Natal	377 831.64	This account is for assessment rates. 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. Aug 2015 - Consultants appointed by Dept of Public works to assist with verification & amounts owed to municipalities (DMS 1080261). Information has been submitted. Sept 2015 - Refer DMS 1088571 information submitted to DHS. Oct 2015 DMS 1095117 - no progress still under investigation.
1991812	Province of Kwazulu Natal	348 075.31	This account is for assessment rates for a 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. Sept 2015 - Refer DMS 1088571 information submitted to DHS. Oct 2015 DMS 1095117 - no progress still under investigation.
1552318	Department of Public Works	201 237.16	This account is in respect of assessment rates for an agriculturally zoned property. The account is still under investigation and verification by the department. 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. Sept 2015 - No further progress to report the department is still busy with verification. Oct 2015 DMS 1095117 - no progress still under investigation.
1552357	Department of Public Works	153 859.71	This account is still under investigation and verification by the department. The account is for assessment rates for an agricultural property. 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. Oct 2015 - No further progress to report the department is still busy with verification

TOP 10 GOVERNMENT ACCOUNTS			
ACCOUNT NUMBER	NAME OF DEPARTMENT	TOTAL	COMMENTS
		R	
1340659	Department of Public Works	49 052.14	This account is for assessment rates. 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. Oct 2015 - No further progress to report awaiting feedback.
1009849	Department of Public Works	59 363.19	This account is still under investigation and verification by the department (Assessment rates for property at Ngwelezane 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. Oct 2015 - No further progress to report.
325680	Department of Public Works	33 018.43	This account is still under investigation and verification by the department is for assessment rates. 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. Oct 2015, Pending verification by National Public Works.
2092688	Province of Kwazulu Natal	26 296.19	This account is still under investigation and verification by the Human settlement. The account is for assessment rates on an public 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). Oct 2015, Information has been submitted via e-mail again to Regucom Consultants.
1628278	Department of Public Works	27 507.81	This account is for assessment rates and it 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. Oct 2015 - Refer to DMS 1088568 - no progress. Invoices has been submitted via e-mail 21/10/15 to Regucom Consultants.

2. Business Accounts

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	18 216 590	20 112 790	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
				October 2015 - There is not further progress as the court date is 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.
				October 2015 - There is no further progress as the matter has been set down for arbitration. The legal services section is handling this matter.
1441047	Tata Steel KZN (Pty) in Liquidation	34 046 048	36 406 842	Tata Steel KZN (Pty) Ltd is in Liquidation. This account is for electricity. The company was placed in liquidation following failed business rescue proceedings. The matter is being handled by the Liquidator that was appointed by the Master of High Court. The latest info from the Liquidator is that he is in discussions to sell the business as a whole. The account is expected to be paid once the property is transferred to the new owner.

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1940649	Shifting Sands (Pty) Ltd	604 395	1 081 594	<p>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</p> <p>August 2015 - All corrections required have been actioned. The matter is now being discussed with the customer.</p> <p>Oct 2015 - The customer is now paying the amount off in installments</p>
1610626	T isand (Pty) Ltd	2 806 226	3 165 983	<p>T isand (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.</p> <p>October 2015 - No further progress to report.</p>
392020	River Rock Invest (Pty) Ltd	1 267 738	1 340 072	<p>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</p> <p>Oct 2015 - No progress to report. Matter is being handled by Legal Services Secction together with City Development. It is proposed that City Development & Legal Services provide a separate report detailing the naure of the dispute</p>
1929028	PSE Development Initiatives (Pty) Ltd	629 149	629 149	<p>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.</p>

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.
				October 2015 - No further progress to report.
416383	RBT Resources (Pty) Ltd	830 713	1 155 105	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.
				Oct 2015 - This account is for outstanding assessment rates. There is discussions / negotiations underway with the company and the matter is expected to be resolved shortly. An application was received for a rates clearance certificate. The payment of the account is therefore expected shortly.
416383	River Rock Investments (Pty) Ltd	1 489 545	1 620 483	River Rock Investments account is in respect of unpaid charges in respect of rental that are under dispute. Matter still under consideration by legal services and City Development. They are paying their monthly charges excluding the disputed charge
				Oct 2015 - No progress to report. Matter is being handled by Legal Services Section together with City Development. It is proposed that City Development & Legal Services provide a separate report detailing the nature of the dispute

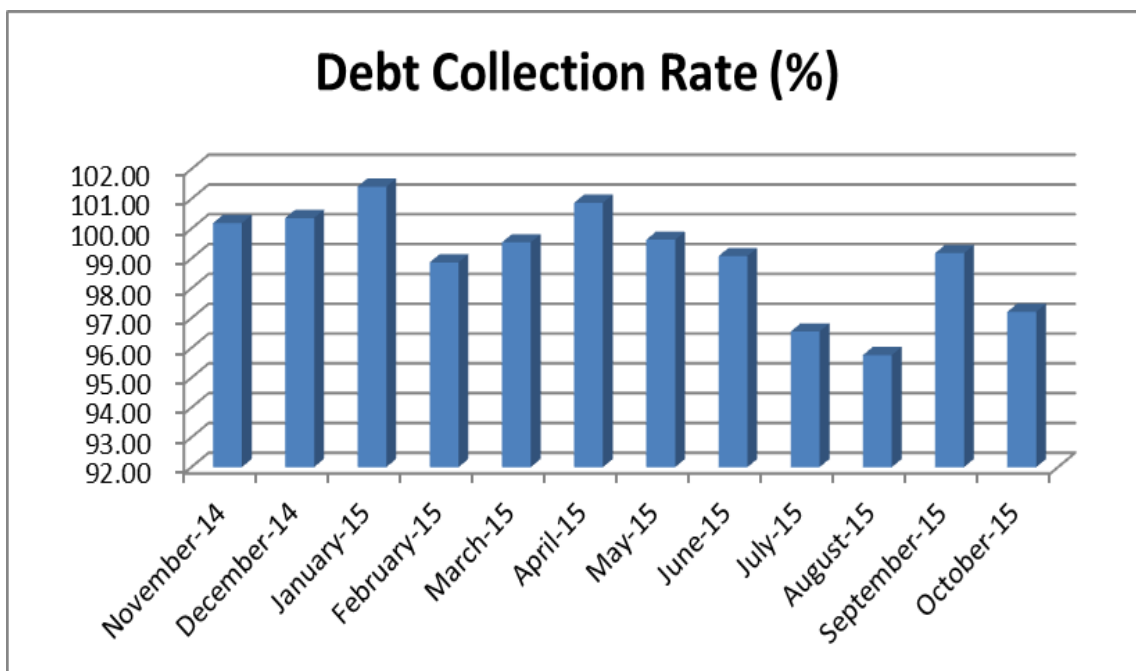
3. Households

- All credit control and debt collection actions as provided for in the Credit Control and Debt Collection policy are taken on a continuous basis against defaulters. These include the disconnection and blocking of electricity, the restriction of water as well as the handing over of accounts to attorneys for further collection.
- There are many challenges with the collection of debt of which poverty appears to be the biggest challenge to overcome.
- A further detailed report is in preparation that will provide an analysis of debt, together with proposals from a strategic perspective on possible solutions to improve debt collection.
- The table below refers:

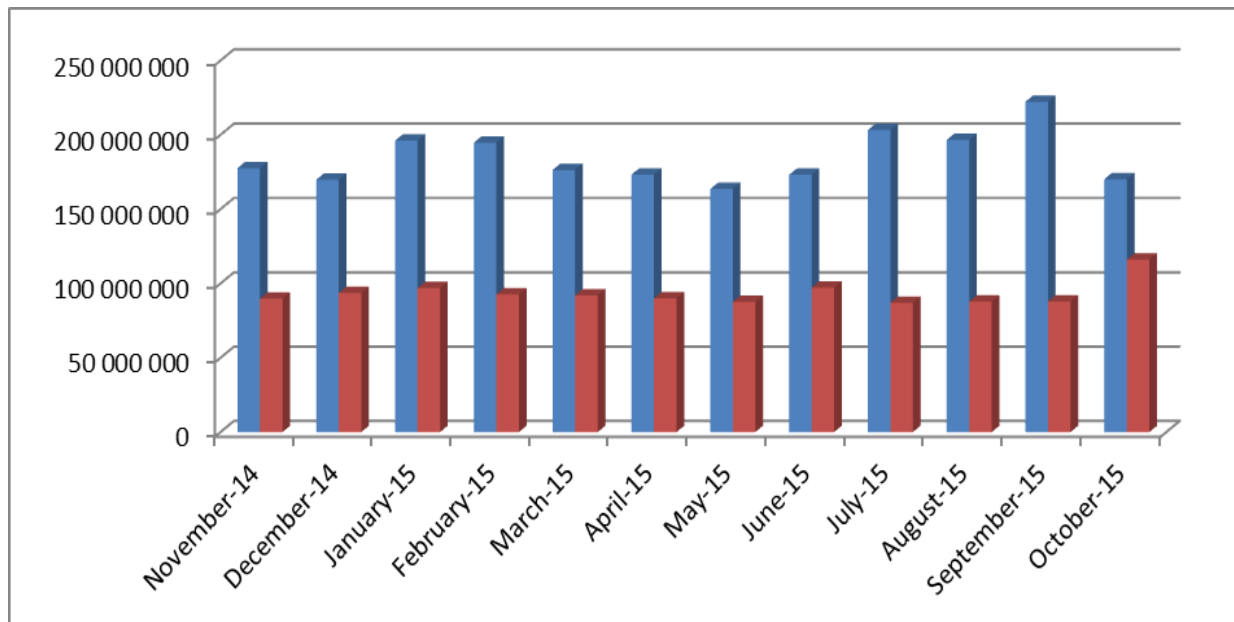
TOWNS	BUSINESS OVER	HOUSEHOLDS OVER 90 DAYS		TOTAL
	90 DAYS	URBAN	TRADITIONAL AREAS	
	R	R	R	
Richards bay	23 185 421.60	25 546 299.25	607 636.17	26 153 935.42
Vulindlela	-	364 678.79	2 955 201.15	3 319 879.94
eNseleni	132 402.34	682 724.46	4 440 983.14	5 123 707.60
eSikhaleni	756 663.59	6 072 333.81	12 616 618.17	18 688 951.98
Empangeni	2 257 595.25	6 153 471.90	-	6 153 471.90
Ngwelezane	173 996.22	3 382 140.13	10 825 090.03	14 207 230.16
Total	26 506 079.00	42 201 648.34	31 445 528.66	73 647 177.00

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

MONTH	PERCENTAGE (%)
October-15	97.21
September-15	99.18
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



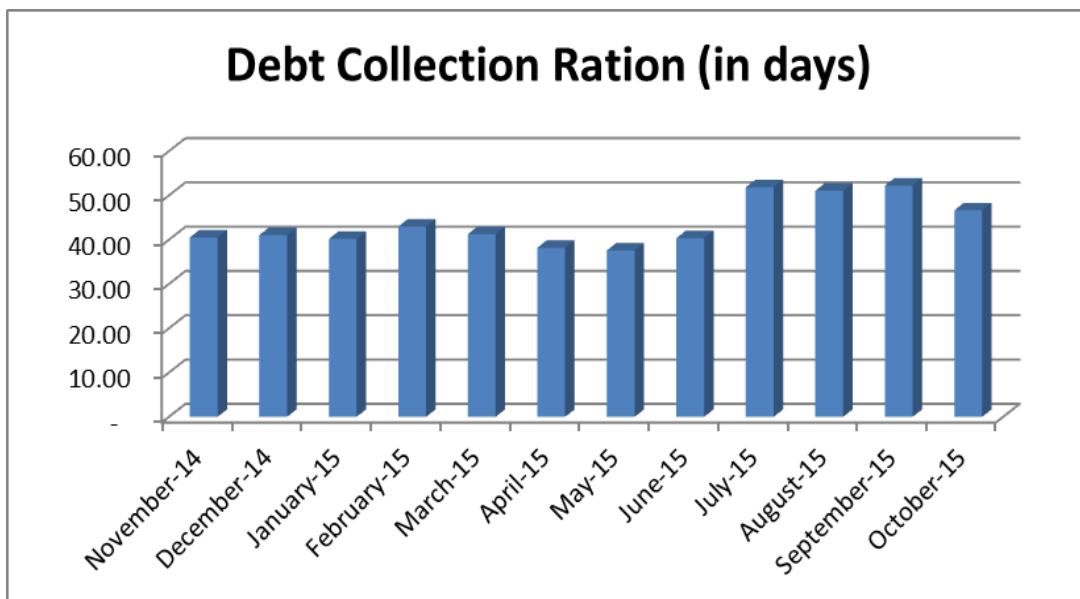
Month	Monthly Billing	Debtors 90 days +	Percentage
October-15	170 151 856	116 009 460	68.18%
September-15	222 259 385	87 932 444	39.56%
August-15	163 599 892	87 813 204	53.68%
July-15	203 257 139	86 978 439	42.79%
June-15	173 081 964	97 215 214	56.17%
May-15	163 518 965	87 638 012	53.60%
April-15	173 226 083	89 918 524	52.16%
March-15	176 382 683	92 006 897	47.56%
February-15	194 758 958	92 636 860	49.43%
January-15	196 088 953	96 924 525	55.12%
December-14	169 766 329	93 569 932	50.51%
November-14	177 574 145	89 696 475	48.08%



Debt Collection Rate

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

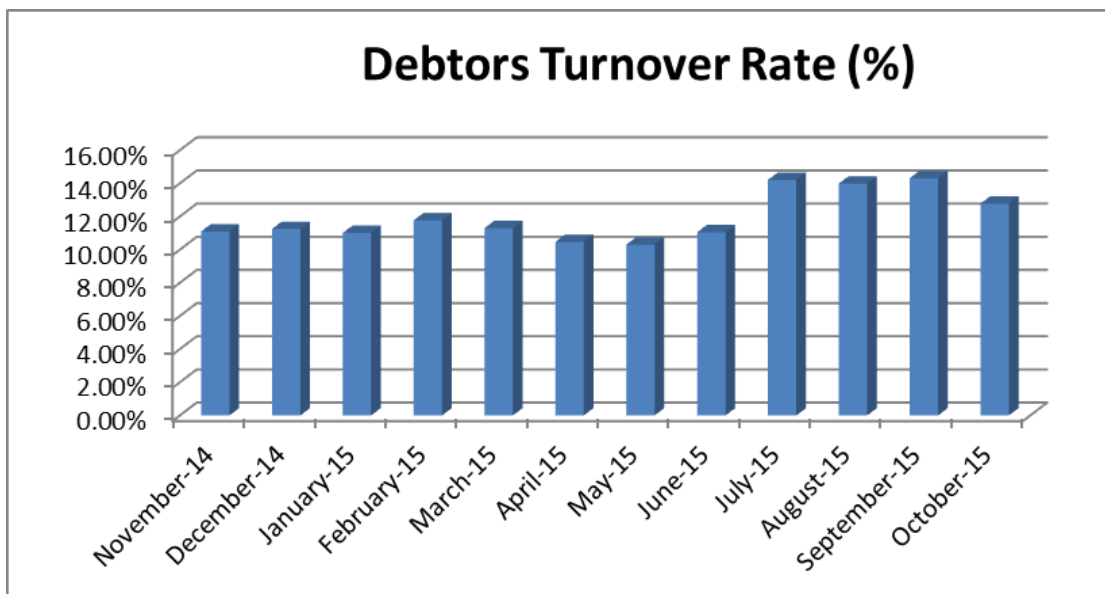
MONTH	COLLECTION IN DAYS
October-15	46.65
September-15	52.22
August-15	51.45
July-15	51.86
June-15	40.35
May-15	37.59
April-15	38.20
March-15	41.26
February-15	42.98
January-15	40.18
December-14	41.05
November-14	40.52



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
October-15	12.78%
September-15	14.31%
August-15	13.99%
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%



Summary of Credit Control Technical Actions Performed

DESCRIPTION	Jul-15	Aug-15	Sep-15	Oct-15
SMS Notification - General	9 217	5 832	6 781	6 682
SMS Notification - It & S	201 571	53 674	11 289	-
Final Request - Residential	3 265	2 305	5 329	2 886
Final Request - Business	328	148	328	191
Electricity Disconnection Level 1 (Switch Off Supply)	91	125	109	134
Electricity Disconnection Level 2. Remove Circuit Breaker	2	7	5	3
Illegal Consumption Inspection (Water or Electricity)	1 014	1 996	1 239	1 199
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	640	803	438	574
Water Restriction Level 2. (Install water pressure reducing valve)	9	8	5	13
Water Disconnection (Business accounts)	20	24	20	8
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	206	181	177	165

3.11 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 R162 270,25 as per **Annexure AB - DMS 1094409**.

Councillor's debt amounts to R5 667,62 as per **Annexure AC - DMS 1094409**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES - FOR ENTIRE MUNICIPALITY

The Chief Financial Officer will highlight the 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 for this expenditure to be monitored and managed on a monthly basis:

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	14 362 800	4 787 600	12 567 225	(7 779 625)	262%
Overtime - Structured	21 544 500	7 181 500	-	7 181 500	0%
TOTAL	35 907 300	11 969 100	12 567 225	(598 125)	105%

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		SEPTEMBER 2015	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	30 581	759	30 953	766	29 013	869
Temporary	643	69	403	20	549	63
	31 224	828	31 356	786	29 562	932

EMPLOYEES	OCTOBER 2015	
	Total Hours	Total Employees
Permanent	29 108	785
Temporary	516	53
	29 624	838

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 October 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 OCTOBER 2015 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
Community Services	18 520 100	6 173 367	6 630 302	(456 935)	107%
Corporate Services	431 500	143 833	150 618	(6 785)	105%
Financial Services	128 100	42 700	42 792	(92)	100%
Infrastructure and Technical Services	16 827 600	5 609 200	5 739 710	(130 510)	102%
Office of the Municipal Manager	-	-	3 803	(3 803)	0%
Total	35 907 300	11 969 100	12 567 225	(598 125)	105%

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

Type of Transfer of Funds	July 2015	August 2015	September 2015	October 2015	Total Number of Transfers
Capital	0	0	1	3	4
Operating	0	10	7	28	45
Total	0	10	8	31	49

Department	July 2015	August 2015	September 2015	October 2015	Total Value of Transfers
Corporate Services	-	72 000	-	168 800	240 800
Community Services	-	-	401 700	1 214 000	1 615 700
Office of The Municipal Manager	-	877 600	-	7 000	884 600
City Development	-	6 900	7 700	-	14 600
Financial Services	-	4 740 000	3 000	2 000	4 745 000
IT S - Electrical Supply Services	-	50 000	-	1 515 000	1 565 000
IT S - Engineering Support Services	-	-	-	6 000	6 000
IT S - Roads and Stormwater	-	-	-	218 000	218 000
IT S - Water and Sanitation Services	-	-	-	878 900	878 900
Total	-	5 746 500	412 400	4 009 700	10 168 600

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 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	897 667	957 973	-	957 973	(60 306)
FX011001007	Police Forces, Traffic and Stre	1 361 200	2 041 700	3 402 900	1 134 300	1 180 884	-	1 180 884	(46 584)
FX005001006003	Occupational Clinic	54 900	82 300	137 200	45 733	-	-	-	45 733
FX005001012	Security Services	-	-	-	-	133 751	-	133 751	(133 751)
FX012001005	Taxi Ranks	46 400	69 500	115 900	38 633	45 504	-	45 504	(6 871)
FX014001003	Solid Waste Removal	1 793 400	2 690 200	4 483 600	1 494 533	1 902 503	-	1 902 503	(407 970)
FX014001004	Street Cleansing	2 132 100	3 198 200	5 330 300	1 776 767	1 590 260	-	1 590 260	186 507
FX015001001	Public Toilets	60 400	90 500	150 900	50 300	61 072	-	61 072	(10 772)
Total		6 525 600	9 788 200	16 313 800	5 437 933	5 871 947	-	5 871 947	(434 014)

□ **Police Forces, Traffic and Street Parking Control**

Over-expenditure on overtime is due to the annual salary increase of 7%, which affects the hourly rate of all personnel working overtime respectively. Furthermore, the emergency personnel affected by the 40/45 hours were afforded a contractual to holder status such that their salaries be calculated as per their contracts prior to the implementation of the new conditions of service.

Personnel such as Traffic Officers, Traffic Wardens and Bylaw Enforcers, including the shift supervisors are required to work alternate weekends including public holidays, adding to the over expenditure. The officers attend to various call outs, such as accidents and obstructions, whilst performing standby duties (unplanned overtime). September overtime submission included, 10 August, Women Rights Day, whereby staff members were remunerated on double pay.

□ **Security Services**

The over expenditure was mainly caused by unplanned emergency situations at security wherein the VIP personnel had to work long extra hours. 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 the municipality is to keep our environment clean. It bears noting that the month had 5 weekends, which contributed to more 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 the need for this essential service. The Section is considering giving time off, rather than paying for full overtime worked. This will be investigated and to see if it possible to implement same without creating animosity between staff working overtime and Management.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	305 700	255 733	-	255 733	49 967
FX001001005002	Halls	39 300	58 900	98 200	32 733	44 131	-	44 131	(11 398)
FX013002004001	Sport Development and Sportfields	89 900	134 800	224 700	74 900	133 772	-	133 772	(58 872)
FX013002004002	Sports Grounds and Stadiums - Stadium	-	-	-	-	-	-	-	-
FX013001001	Beaches and Jetties	171 400	257 200	428 600	142 867	113 164	-	113 164	29 703
FX013002003003	Recreational Facilities - Swimming Pools	186 400	279 600	466 000	155 333	83 723	-	83 723	71 610
FX013001002	Community Parks (including Nurseries)	28 700	43 000	71 700	23 900	127 832	-	127 832	(103 932)
Total		882 500	1 323 800	2 206 300	735 433	758 355	-	758 355	(22 922)

□ **Halls**

Empangeni and Ngwelezane Halls

The general routine cleaning is done at the Empangeni Community Service Centre after each function, in order to maintain the service standard required by Public clients. The facilities are utilised by all structures of government as well as the public and therefore there is the need for overtime from time to time

eSikhaleni and Richards Bay Halls

Routine cleaning of Halls and Community Service Centres is done after each function and often there are more than one function held per day which requires cleaning and preparation. One would have to note that the cleaning of halls after each function, is charged at the client's expense to cover the overtime occurred.

□ **Sport Development and Sportsfield**

Due to a number of high profile events taking place at various sport facilities on weekends, officials had to be on site and do cleaning throughout the events. It should also be noted that vacancies for one tractor driver and two park assistants are yet to be filled and the shortage of staff during working hours exacerbates the need for overtime.

□ **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 this resulted in a backlog in collection of vegetation debris. Overtime was scheduled to improve or clear vegetation debris as per operational requirements.

5.2 Corporate Services

5.2.1 Overtime

CORPORATE SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	99 267	114 173	-	114 173	(14 906)
FX005001008	Legal Services	-	-	-	-	164	-	164	(164)
FX004001001001	Mayor & Council	29 200	43 700	72 900	24 300	36 281	-	36 281	(11 981)
FX005001007	Information Technology	24 300	36 500	60 800	20 267	-	-	-	20 267
Total		172 600	258 900	431 500	143 833	150 618	-	150 618	(6 785)

□ Administration and Corporate Support, Mayor and Council

The reason for over-expenditure for the Month of October is because there was a public holiday in September which was paid as overtime for the Call Centre staff. Public Participation and Councillor Support attended IDP Roadshows which were held over weekends and they had to inform the citizens through loud hailing which was done after hours. Also the delivering of agendas had an impact on the increase of overtime.

5.3 Financial Services

5.3.1 Overtime

FINANCIAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	12 300	-	-	-	12 300
FX005001013	Supply Chain Management	36 500	54 700	91 200	30 400	42 792	-	42 792	(12 392)
Total		51 200	76 900	128 100	42 700	42 792	-	42 792	(92)

□ 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

0

MUNICIPAL MANAGER									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	-	-	-	-	1 483	-	1 483	(1 483)
FX004001002005	Municipal Manager	-	-	-	-	2 320	-	2 320	(2 320)
Total		-	-	-	-	3 803	-	3 803	(3 803)

☐ 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 Address.

5.5 Infrastructure and Technical Services

5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	16 333	3 798	-	3 798	12 535
FX002001001003	Process Control Systems	11 400	17 200	28 600	9 533	9 104	-	9 104	430
FX002001001004	Electricity and gas Distribution and Planning	1 886 300	2 829 500	4 715 800	1 571 933	1 578 652	-	1 578 652	(6 719)
FX002001002	Street lighting	52 400	78 500	130 900	43 633	51 192	-	51 192	(7 559)
Total		1 969 700	2 954 600	4 924 300	1 641 433	1 642 746	-	1 642 746	(1 312)

☐ Electricity and Gas Distribution and Planning

The over-expenditure as of end of October is mainly informed by long duration power outages at Eskhaleni, these were cable faults which lasted for longer than expected due to cables failing from all sources of supply. Table below refers:

Date	Substation	Equipment affected	Duration	Description	No. of Customers	Eskom / Municipality	What happened?	What was done (correction)	What needs t be done to prevent a re-occurrence?	Estimated cost of corrective/Preventative Action
28/09/2015	Deneb	Cable	18hrs	Mini Sub (MS) 2/4 breaker opened	150	Municipality	Cable faulted between MS 2/7 and MS 2/8, there was a fault on the other side of MS 2/8 which made it impossible to close the ring and get everybody back	Repairs were carried out on the cable between MS2/8 and MS 2/9 Replace the XLPE cables in existence with PILC cables to stabilise the supply	Replace the XLPE cables in existence with PILC cables to stabilise the supply	R 8 500

NOTES:

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INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	2 767	-	-	-	2 767
FX005001005	Fleet Management	224 500	336 800	561 300	187 100	162 825	-	162 825	24 275
FX001001005001	Building Maintenance	-	-	-	-	21 702	-	21 702	(21 702)
Total		227 800	341 800	569 600	189 867	184 527	-	184 527	5 340

□ **Building Maintenance**

Two Employees worked over time at Royal-show ground Pietermaritzburg on 18 September 2015.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	13 333	60 884	-	60 884	(47 551)
FX012001004003	Roads - Rural Roads	16 000	24 100	40 100	13 367	2 468	-	2 468	10 899
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-
Total		32 000	48 100	80 100	26 700	63 352	-	63 352	(36 652)

□ **Roads – Urban Roads**

The accumulated overtime as at the end of October was for work performed during July 2015 for clearing of storm water blockages as a result of heavy rains during this period.

INFRASTRUCTURE AND TECHNICAL SERVICES

OVERTIME

FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL OCTOBER 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	161 600	156 965	-	156 965	4 635
FX015001002003	Sewerage - Sewerage Network	2 143 300	3 215 000	5 358 300	1 786 100	2 252 713	-	2 252 713	(466 613)
FX016001001003	Water Treatment - Scientific Services	20 900	31 300	52 200	17 400	16 763	-	16 763	637
FX016001002001	Water Distribution - Rural Water	2 143 300	3 215 000	5 358 300	1 786 100	727 414	-	727 414	1 058 686
FX016001002002	Water Distribution - Urban Water	-	-	-	-	695 230		695 230	(695 230)
Total		4 501 400	6 752 200	11 253 600	3 751 200	3 849 085	-	3 849 085	(97 885)

□ **Sewerage – Sewerage Network**

Due to the theft of manhole lids, many blockages occur due to foreign objects entering the manholes. This has contributed to the overtime and resulted in the over expenditure. Due to Water shortages and power failures, water tankers are required to be hired to distribute water to members of the community. Employees are called out to assist the service providers to identify which areas are affected during the day and after hours resulting in overtime incurred. Hiring of jetting Machine also contributes to the over spending on overtime as we are required to unblock, clean and jet the lines when it is required.

□ **Water Distribution – Urban Water**

A major factor that contributes to over expenditure on overtime is the ever increasing of the Municipality's 'ageing' water and wastewater infrastructure, which caused pipes to burst, leaks and sewerage spills. The Water and Sewer replacement projects are resulting in an increase in pipeline failures and breakdowns due to age. 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 spends more time in the workshop 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 due to either pipe burst or water demand problems.

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

The following monthly budget statement tables (**DMS 1094402**) 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 October 2015.

8. CREDITORS ANALYSIS

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

9. INVESTMENT PORTFOLIO ANALYSIS

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

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

12. CAPITAL PROGRAMME PERFORMANCE

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

13. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1096956** (**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 October 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 1094402)** 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.