

10598

## FINANCIAL REPORTING AS AT 30 NOVEMBER 2015

*This report served before the Financial Services Portfolio Committee on 21 January 2016. The recommendations were supported.*

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 November 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 - November 2015**

The monthly budget statement summary (Table C1) for the month of November 2015 (year to date actual), shows a surplus of R111,1 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 second quarter of the financial year and capital expenditure is still low at R69,1 million (15,28%). 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 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 was 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 30 November 2015:

DESCRIPTION	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	2 524 300 900	1 051 792 042	1 083 446 928	103.01%
Expenditure	2 519 363 600	1 049 734 833	972 318 174	92.63%
	<b>4 937 300</b>	<b>2 057 208</b>	<b>111 128 754</b>	

As can be seen from the table above, Actual Surplus for the month ended 30 November 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.

### 3.3 Cash Flow Situation

#### Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 30 NOVEMBER 2015	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 30 NOVEMBER 2015
	R	R	R	R
Conditional Grants	56 086 000	56 086 000	56 086 000	-
Workings Capital	529 461 000	192 608 000	385 216 000	144 245 000
Total (incl. investments)	585 547 000	248 694 000	441 302 000	144 245 000

#### **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 2,75: 1 (529 461/192 608).

#### **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.**

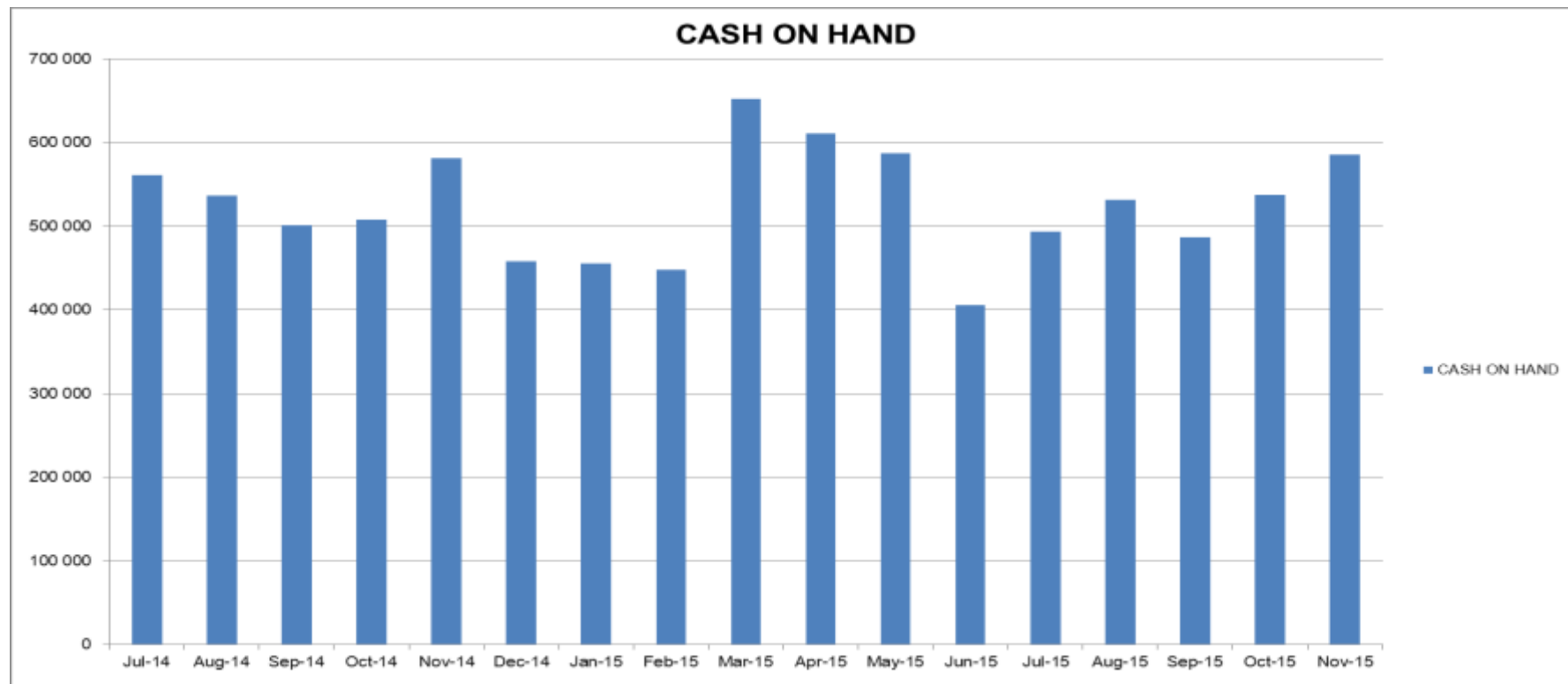
The calculation for the above ratio is as follows: [(160 547 – 56 086) + 425 000) / (2 519 364 – 205 014 – 3 050) / 12] which currently sits at 2,75:1.

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:**

	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	Nov-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	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	585 547



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	AMOUNT GAZETTED FOR NOVEMBER 2015	TOTAL TO BE RECEIVED AS AT 30/06/2016	AMOUNT RECEIVED AS AT 30/11/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/11/2015	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>											
Equitable Share	95 802 000	-	-	-	76 642 000	229 925 000	155 613 000	74 312 000	94 399 383.17	61%	
Municipal Infrastructure Grant	29 000 000	-	-	26 000 000	-	93 154 000	55 000 000	38 154 000	48 116 953	87%	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	-	578 480	36%	
Municipal Water Infrastructure Grant	12 721 000	-	-	25 440 000	-	50 882 000	38 161 000	12 721 000	6 154 743	16%	
Water Services Operating Subsidy	1 750 000	-	-	3 500 000	-	7 000 000	-	7 000 000	3 417 568	0%	
Integrated National Electrification Grant	-	-	2 000 000	-	2 000 000	9 000 000	4 000 000	5 000 000	475 777	12%	
Rural Households Infrastructure Grant	2 250 000	-	-	-	2 250 000	4 500 000	4 500 000	-	3 112 118	69%	
Extended Public Works Programme	-	1 184 000	-	-	889 000	2 961 000	1 184 000	1 777 000	36 693	3%	
Infrastructure Skills Development Grant	2 250 000	-	-	-	-	7 500 000	2 250 000	5 250 000	2 025 396	90%	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%	
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>146 303 000</b>	<b>1 184 000</b>	<b>2 000 000</b>	<b>54 940 000</b>	<b>81 781 000</b>	<b>409 309 000</b>	<b>263 238 000</b>	<b>146 071 000</b>	<b>158 356 676</b>	<b>60%</b>	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2015	AMOUNT GAZETTED FOR AUGUST 2015	AMOUNT GAZETTED FOR SEPTEMBER 2015	AMOUNT GAZETTED FOR OCTOBER 2015	AMOUNT GAZETTED FOR NOVEMBER 2015	TOTAL TO BE RECEIVED AS AT 30/06/2016	AMOUNT RECEIVED AS AT 30/11/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/11/2015	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>											
Provincialisation of Libraries	-	-	6 289 000	-	-	6 289 000	-	6 289 000	7 769 949	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	320 489	0%	Expenditure shown is the total operating cost of the Cybercadets for the period.
Housing Operating Account	-	-	1 047 000	-	-	1 047 000	2 211 040	(1 164 040)	4 303 785	195%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	-	-	-	166 000	-	166 000	859 176	0%	Expenditure shown is the total operating cost of the Museum.
<b>TOTAL PROVINCIAL TREASURY GRANT</b>	<b>-</b>	<b>-</b>	<b>8 356 000</b>	<b>-</b>	<b>-</b>	<b>8 522 000</b>	<b>2 211 040</b>	<b>6 310 960</b>	<b>13 253 400</b>	<b>599%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>146 303 000</b>	<b>1 184 000</b>	<b>10 356 000</b>	<b>54 940 000</b>	<b>81 781 000</b>	<b>417 831 000</b>	<b>265 449 040</b>	<b>152 381 960</b>	<b>171 610 076</b>	<b>65%</b>	

### 3.5 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 30 November 2015 (15,28%):

FUNCTION	ADOPTED BUDGET 2015/2016	CASH FLOW PROJECTED BUDGET (YTD) AS PER ADOPTED BUDGET TABLES (SA29)	ODERS	ACTUAL NOVEMBER 2015 (YTD)	% OF ADOPTED BUDGET SPENT	% OF CASHFLOW PROJECTION SPENT
	R	R	R	R		
Executive and Council	92 600	392 600	-	-	0.00%	0.00%
Budget and Treasury Office	15 000	661 200	26 403	-	0.00%	0.00%
Corporate Services	44 497 900	23 606 800	6 464 362	17 617 733	39.59%	74.63%
Community and Social Services	40 525 500	24 884 700	3 843 332	3 747 900	9.25%	15.06%
Sport and Recreation	41 239 400	29 989 400	1 970 716	2 548 419	6.18%	8.50%
Public Safety	21 345 000	10 085 300	6 657	-	0.00%	0.00%
Housing	18 000 000	12 500 000	7 980	-	0.00%	0.00%
Health	4 866 600	4 842 400	763 902	-	0.00%	0.00%
Planning and Development	-	-	-	-	0.00%	0.00%
Road Transport	42 982 500	14 179 200	1 237 729	1 587 751	3.69%	11.20%
Electricity	24 830 600	21 622 700	869 794	1 216 725	4.90%	5.63%
Water	128 498 650	53 610 400	19 300 257	30 706 455	23.90%	57.28%
Waste Water Management (Sanitation)	79 806 550	29 911 600	1 151 769	10 650 575	13.35%	35.61%
Waste Management (Solid Waste)	1 777 900	2 173 200	479 270	479 270	26.96%	22.05%
Other	300 000	-	-	-	0.00%	0.00%
<b>TOTAL</b>	<b>448 778 200</b>	<b>228 459 500</b>	<b>36 122 171</b>	<b>68 554 828</b>	<b>15.28%</b>	<b>30.01%</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	ODERS	ACTUAL NOVEMBER 2015 (YTD)	% OF ADOPTED BUDGET SPENT	% OF CASHFLOW PROJECTION SPENT
External Loans	159 702 100	79 928 300	10 643 005	28 905 417	18.10%	36.16%
Capital Replacement Reserve	110 082 400	71 665 800	9 999 223	6 562 261	5.96%	9.16%
MIG	88 496 200	36 500 000	2 274 721	20 555 271	23.23%	56.32%
Other National Government Grants	71 382 100	26 750 000	13 197 242	12 451 123	17.44%	46.55%
Provincial Government Grants	18 000 000	12 500 000	7 980	-	0.00%	0.00%
Public Contributions	1 115 400	1 115 400	-	80 756	7.24%	7.24%
<b>TOTAL</b>	<b>448 778 200</b>	<b>228 459 500</b>	<b>36 122 171</b>	<b>68 554 828</b>	<b>15.28%</b>	<b>30.01%</b>

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	GL Code	Description	Budget
				R				R
8/2/1/599	158798	Automated Meter Reading Services	11/11/2015	600 000.00	FX002001001001	238_B4	Retic. Maintenance - Unplanned Maintenance - Contracted Services	1 400 000.00
8/2/1/491	159018	Mkhwanazi North Phase 5 Bulk Pipeline	11/11/2015	2 059 770.48	FX016001002001	884_6	Rural/Semi-Urban Areas	29 248 200.00
8/2/1/1027	159027	Mzingazi Sewer - Phase 2	11/11/2015	N/A	Tender will be cancelled due to change of scope			
8/2/1/UMH27-15/16	158912	Repair work to Richards Bay Civic Centre	12/11/2015	2 176 004.00	FX001001005003	632_52	Structural Inspection of Municipal Buildings	2 300 000.00
8/2/1/UMH17-15/16	159024	Construction of Standby Quarters for Electrical Section	12/11/2015	3 021 214.68	FX001001005003	532_183	Standby Quarters At Services Centre Electricity	1 320 000.00
8/2/1/UMH47-15/16	159049	Construction of new Madlebe Tribal Authority Sport Complex	12/11/2015	N/A	Tender will be cancelled due to non-submission of the CIDB Certificate			
8/2/1/UMH77-15/16	159242	Request for Project Managers to be appointed for improvement at Richards Bay Athletics Stadium	12/11/2015	10 000 000.00	FX013002004001	699_495	Sports Facilities - National Lotteries	6 000 000.00
					FX013002004001	532_63	Sport Development National Lotteries	702 000.00

### 3.7 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 November 2015:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	615 819 200	256 591 333	236 668 429	92.24%
Remuneration of Councillors	24 728 600	10 303 583	9 462 971	91.84%
Debt Impairment	3 050 000	1 270 833	201 030	15.82%
Depreciation and asset impairment	205 014 200	85 422 583	102 587 667	120.09%
Finance Charges	79 806 300	33 252 625	39 903 150	120.00%
Bulk Purchases - Electricity	997 804 600	415 751 917	416 010 757	100.06%
Bulk Purchases - Water	136 253 700	56 772 375	42 507 093	74.87%
Other Materials	45 366 400	18 902 667	10 539 348	55.76%
Contracted Services	204 839 600	85 349 833	43 083 703	50.48%
Transfers and grants	13 883 600	5 784 833	2 104 096	36.37%
Other Expenditure	192 797 400	80 332 250	69 249 930	86.20%
<b>TOTAL</b>	<b>2 519 363 600</b>	<b>1 049 734 833</b>	<b>972 318 174</b>	<b>92.63%</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 has not operated since 10 July 2015 and is subsequent in liquidation. Included in Electricity purchases are amounts in terms of the Generation Purchase agreement with Mondi.

A corresponding increase in Revenue amounting to R120 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 NOVEMBER 2015 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	360 000 000	150 000 000	156 444 065	104.30%
Service Charges – Electricity revenue	1 386 603 100	577 751 292	636 986 754	110.25%
Service Charges – Water revenue	281 565 000	117 318 750	96 764 033	82.48%
Service Charges – Sanitation revenue	84 000 000	35 000 000	34 366 695	98.19%
Service Charges – Refuse revenue	67 800 000	28 250 000	27 955 920	98.96%
Rental of facilities and equipment	10 874 400	4 531 000	1 969 928	43.48%
Interest earned – external investments	21 981 500	9 158 958	8 497 416	92.78%
Interest earned – outstanding debtors	1 558 000	649 167	920 810	141.84%
Fines	11 231 300	4 679 708	725 100	15.49%
Licences and permits	1 764 500	735 208	1 414 053	192.33%
Agency services	7 000 000	2 916 667	2 564 423	87.92%
Operating Grants and Subsidies	257 952 700	107 480 292	102 686 586	95.54%
Other Revenue	31 970 400	13 321 000	12 151 145	91.22%
<b>TOTAL</b>	<b>2 524 300 900</b>	<b>1 051 792 042</b>	<b>1 083 446 928</b>	<b>103.01%</b>

The above table represents operating revenue per category as at 30 November 2015.

### 3.9 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2015/2016			ACTUAL AS AT 30 NOVEMBER 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)	94	(13 380)	13 474
Budget and Treasury Office	394 207	4 406	389 801	156 397	(4 296)	160 693
Corporate Services	6 489	43 945	(37 456)	21	16 660	(16 639)
Community and Social Services	10 562	61 319	(50 757)	1 449	15 983	(14 534)
Sport and Recreation	3 593	125 570	(121 977)	1 549	48 445	(46 896)
Public Safety	12 193	140 046	(127 853)	1 113	39 806	(38 693)
Housing	2 147	16 410	(14 263)	4 016	5 915	(1 899)
Health	12	9 886	(9 874)	-	3 009	(3 009)
Planning and Development	1 834	41 343	(39 509)	775	16 412	(15 637)
Road Transport	10 899	195 018	(184 119)	3 895	74 606	(70 711)
Water (Portion of PMU funded by Rates & General Services)	7 562	10 484	(2 922)	1 550	3 809	(2 259)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7 562	12 363	(4 801)	1 550	4 387	(2 837)
<b>Total Rates and General Services</b>	<b>460 015</b>	<b>664 161</b>	<b>(204 146)</b>	<b>172 409</b>	<b>211 356</b>	<b>(38 947)</b>
<b>Airport</b>	<b>596</b>	<b>736</b>	<b>(140)</b>	<b>384</b>	<b>218</b>	<b>166</b>
<b>Trading Services</b>						
Electricity	1 393 890	1 211 487	182 403	640 953	519 431	121 522
Water	350 506	369 622	(19 116)	111 236	139 854	(28 618)
Clarified Water	20 365	17 578	2 787	34 842	4 459	30 383
Sewerage	184 724	150 113	34 611	76 363	56 798	19 565
Refuse Removal	114 206	105 667	8 539	47 259	40 203	7 056
<b>Total Trading Services</b>	<b>2 063 691</b>	<b>1 854 467</b>	<b>209 224</b>	<b>910 653</b>	<b>760 745</b>	<b>149 908</b>
<b>Total Service Category</b>	<b>2 524 302</b>	<b>2 519 364</b>	<b>4 938</b>	<b>1 083 446</b>	<b>972 319</b>	<b>111 127</b>

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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**

<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	7 108 249	1 030 769	100 749	5 013 819	13 253 586
Business	188 498 418	5 343 754	3 712 583	57 380 439	254 935 194
Households	48 889 775	3 436 616	2 657 321	48 698 087	103 681 799
Other	5 178 936	689 197	683 549	14 148 202	20 699 884
<b>Total</b>	<b>249 675 378</b>	<b>10 500 336</b>	<b>7 154 202</b>	<b>125 240 547</b>	<b>392 570 463</b>
<b>%</b>	<b>63.60%</b>	<b>2.67%</b>	<b>1.82%</b>	<b>31.90%</b>	



➤ **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	570 517.41	This account is still under investigation and verification by the department. These are agricultural properties. We have submitted all relevant information to the Department of Public Works (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. Update Nov 2015 - No further progress to report the DPW is still busy with verification see latest correspondence on DMS 1101378
970111	Province of Kwazulu Natal	377 831.64	This account is still under investigation and verification by the Human Settlements. 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. Update Nov 2015 - No further progress to report, the Department of Public Works is still busy with verification, see latest correspondence on DMS 1101378
1991812	Province of Kwazulu Natal	350 855.76	Property at Dumisane Makhaye Village on which a municipal pump station is situated. The matter is still under investigation by Dept of Human Settlements. 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. Update Nov 2015 - No further progress to report, the Department of Public Works is still busy with verification, see latest correspondence on DMS 1101378
1552318	Department of Public Works	202 665.59	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. Sept 2015 - No further progress to report the department is still busy with verification. Oct 2015 DMS 1095117 - no progress still under investigation. Update Nov 2015 - No further progress to report the DPW is still busy with verification see latest correspondence on DMS 1101378

TOP 10 GOVERNMENT ACCOUNTS			
ACCOUNT NUMBER	NAME OF DEPARTMENT	TOTAL	COMMENTS
		R	
1552357	Department of Public Works	154 948.26	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. Oct 2015 - No further progress to report the department is still busy with verification. Update Nov 2015 - No further progress to report the department is still busy with verification see latest correspondence on DMS 1101378
1340659	Department of Public Works	50 234.05	The account is for Basic Services Charges in respect of a vacant school property. This account is still under investigation and verification by the DPW. 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). Update Nov 2015 - Meeting held with Provincial Public works on 23 November 2015 on various accounts (DMS 1101377). Information requested was submitted, and payment is expected soon.
1009849	Department of Public Works	59 833.46	The account is for Rates in respect of a vacant school property. This account is still under investigation and verification by the Department of Public Works (DPW). Meetings were held with officials from the DPW and all relevant info submitted. The latest correspondence available on DMS 1031396, 1064774 and 1070284. Update Nov 2015 - Meeting held with Provincial Public works on 23 November 2015 on various accounts (DMS 1101377). Information requested was submitted, and payment is expected soon.
281009	Department of Public Works	104 640.75	This account is for Rates for a School site in Esikhaleni which must still be verified by DPW. Update Nov 2015 - Meeting held with Provincial Public Works on 23 November 2015 on various accounts (DMS 1101377). Information requested was submitted, and payment is expected soon.
1553551	Department of Public Works	83 548.43	This account is for Rates for a School site in the Dube traditional Area, which must still be verified by DPW. Update Nov 2015 - Meeting held with Provincial Public Works on 23 November 2015 on various accounts (DMS 1101377). Information requested was submitted, and payment is expected soon.
891766	Department of Public Works	60 023.98	This account is for Rates in respect of a vacant property in Empangeni. Update Nov 2015 - Meeting held with Provincial Public Works on 23 November 2015 on various accounts (DMS 1101377). Information submitted, payment is expected.

## 2. Business Accounts

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	18 972 790	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.
				June 2015 - The court date for the application to be heard is set for 16 March 2016
				November 2015 - There is no 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.
				November 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	29 307 002	38 682 665	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 the 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.
				November 2015 - The Liquidator has placed the property up for auction / tender as the previous negotiations with possible purchasers did not materialise.

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1940649	Shifting Sands (Pty) Ltd	774 229	1 152 647	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 are 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.
				November 2015 - The customer is now paying the amount off in installments
1610626	Tisand (Pty) Ltd	2 893 271	3 236 783	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 advice is currently being studied and will be reported on.
				November 2015 - No further progress to report.
392020	River Rock Invest (Pty) Ltd	559 504	1 362 848	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.
				November 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.
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. The report was completed and will serve in January 2016.

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 - At the request of the Legal Services section, this matter is being held in abeyance pending further negotiations with the debtor.
				November 2015 - No further progress to report.
2200118	RBT Resources (Pty) Ltd	910 546	1 238 073	Aug 2015 - This account is for outstanding rates. There are discussions / negotiations underway with the company and the matter is expected to be resolved shortly.
				November 2015 - This account is for outstanding assessment rates. There are 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	1 415 413	1 620 483	River Rock Investments account is in respect of unpaid charges in respect of rentals that are under dispute. Matter still under consideration by Legal Services and City Development. They are paying their monthly charges excluding the disputed charge.
				November 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.

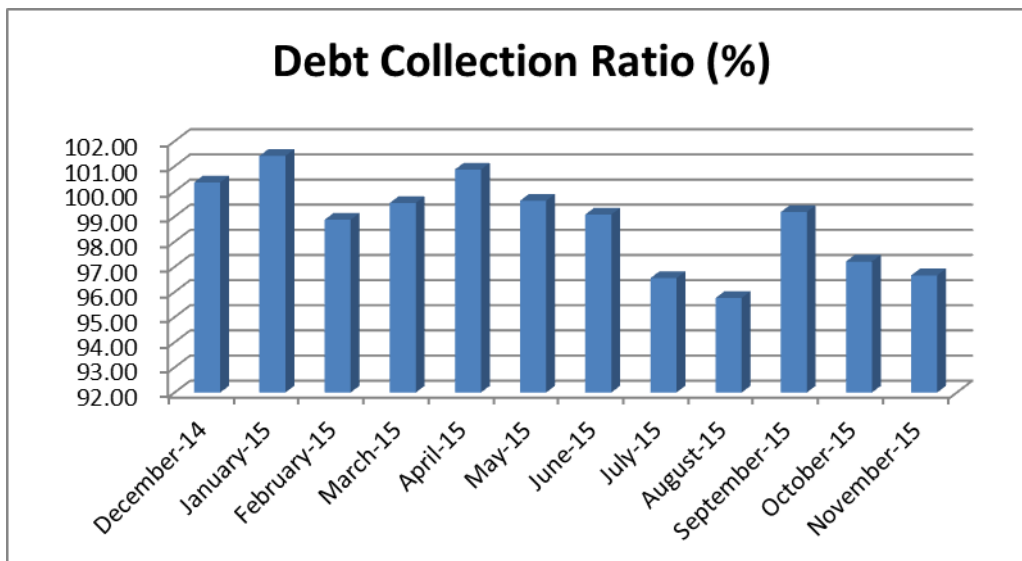
### 3. Households

- 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:

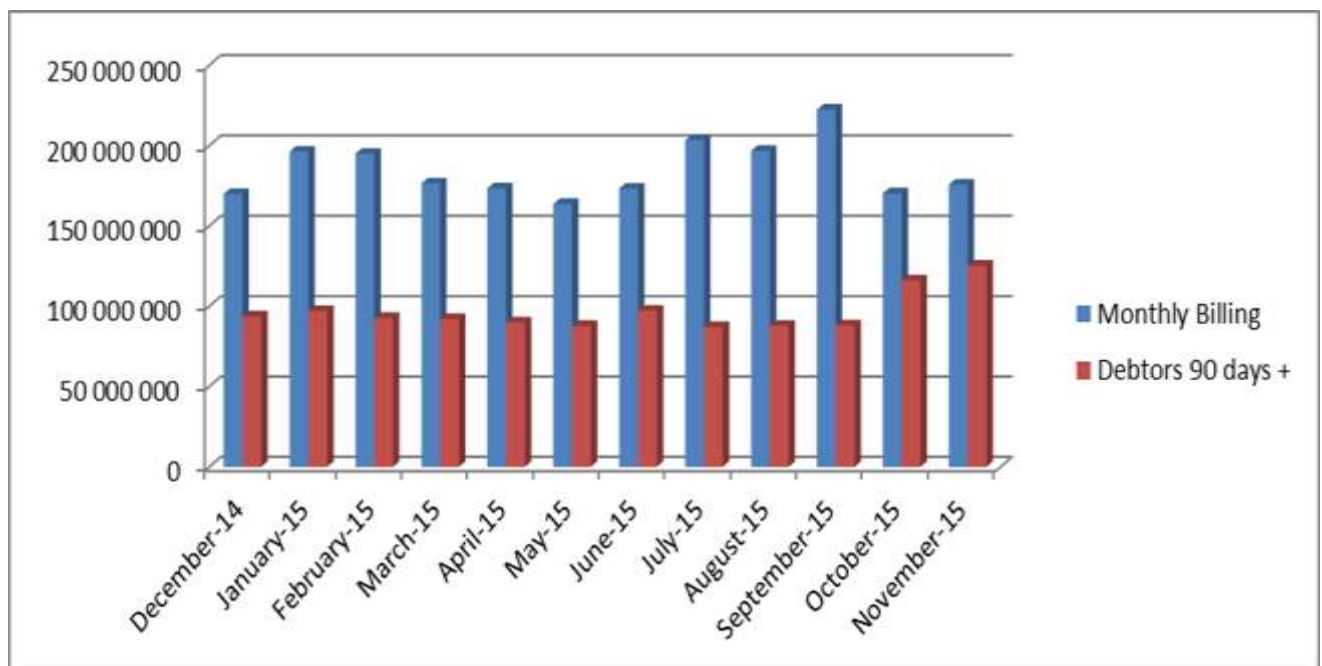
TOWNS	BUSINESS OVER	HOUSEHOLDS OVER 90 DAYS		TOTAL
	90 DAYS	URBAN	TRADITIONAL AREAS	
	R	R	R	
Richards bay	24 493 913.47	1 328 318.86	915 256.89	2 243 575.75
Vulindlela	127 081.99	286 519.33	3 073 802.72	3 360 322.05
eNseleni	151 516.61	516 293.83	4 553 073.00	5 069 366.83
eSikhaleni	423 524.20	6 068 840.59	12 987 694.87	19 056 535.46
Empangeni	2 652 692.54	6 535 093.05	-	6 535 093.05
Ngwelezane	187 448.11	3 199 254.24	11 243 330.67	14 442 584.91
<b>Total</b>	<b>28 036 176.92</b>	<b>17 934 319.90</b>	<b>32 773 158.15</b>	<b>50 707 478.05</b>

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

MONTH	PERCENTAGE (%)
November-15	96.66
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



Month	Monthly Billing	Debtors 90 days +	Percentage
November-15	175 600 147	125 240 549	<b>71.32%</b>
October-15	170 151 856	116 009 460	<b>68.18%</b>
September-15	222 259 385	87 932 444	<b>39.56%</b>
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>

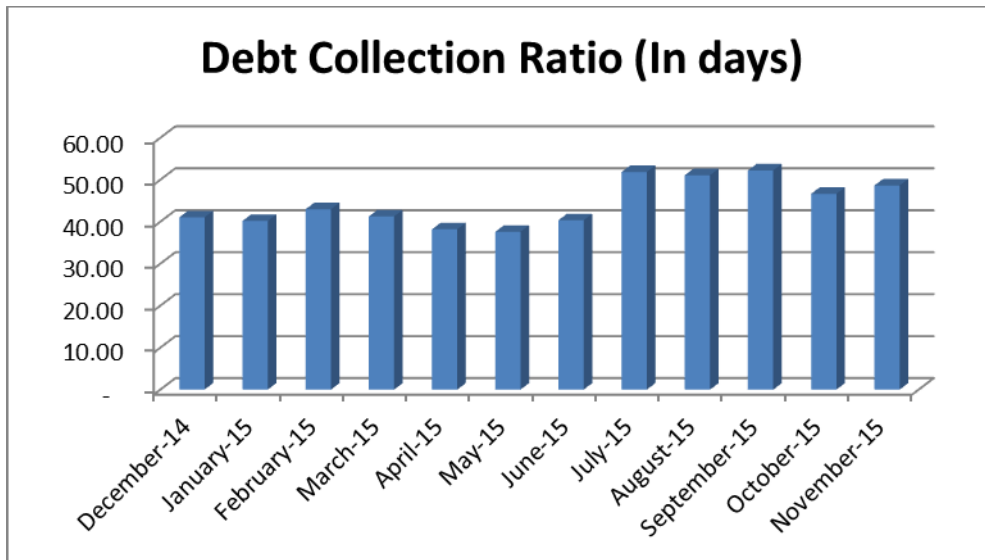




## **Debt Collection Rate**

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:

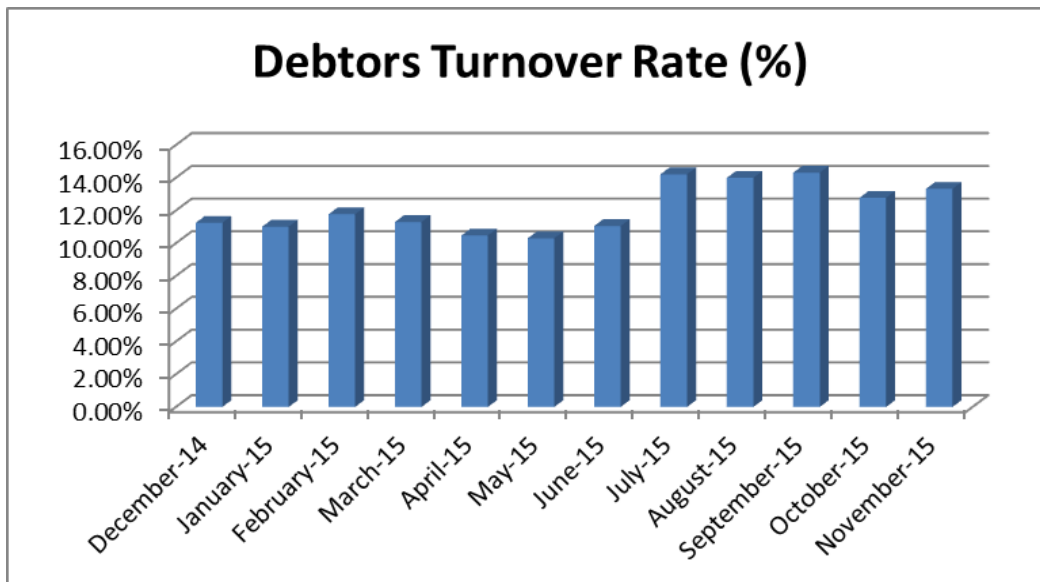
MONTH	COLLECTION IN DAYS
November-15	48.62
October-15	46.65
September-15	52.22
August-15	51.45
July-15	51.86
June-15	40.35
May-15	37.59
April-15	38.20
March-15	41.26
February-15	42.98
January-15	40.18
December-14	41.05



### **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
November-15	13.32%
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%



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

DESCRIPTION	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
SMS Notification - General	9 217	5 832	6 781	6 682	6 838
SMS Notification - It & S	201 571	53 674	11 289	-	55 195
Final Request - Residential	3 265	2 305	5 329	2 886	3 789
Final Request - Business	328	148	328	191	256
Electricity Disconnection Level 1 (Switch Off Supply)	91	125	109	134	85
Electricity Disconnection Level 2. Remove Circuit Breaker	2	7	5	3	3
Illegal Consumption Inspection (Water or Electricity)	1 014	1 996	1 239	1 199	1 955
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	640	803	438	574	1 034
Water Restriction Level 2. (Install water pressure reducing valve)	9	8	5	13	-
Water Disconnection (Business accounts)	20	24	20	8	6
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	206	181	177	165	179

### **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 R165 469,15 as per **Annexure AB - DMS 1100395**.

Councillor's debt amounts to R6 072,20 as per **Annexure AC - DMS 1100395**.

## **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, where after Departments will provide specific comment on their own Sections.

It is very important for Council and the Administration to understand that although the liquidity situation is improving and there is a surplus on the current figures, expenditure has to take place in accordance with the approved budget. **If not, the objective of attempting to create internal reserves for future Capital Expenditure from accumulated cash reserves is not going to materialise.**

### **4.1 Employee related costs**

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

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	14 362 800	5 984 500	15 989 511	(10 005 011)	267%
Overtime - Structured	21 544 500	8 976 875	-	8 976 875	0%
<b>TOTAL</b>	<b>35 907 300</b>	<b>14 961 375</b>	<b>15 989 511</b>	<b>(1 028 136)</b>	<b>107%</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		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
	<b>31 224</b>	<b>828</b>	<b>31 356</b>	<b>786</b>	<b>29 562</b>	<b>932</b>

EMPLOYEES	OCTOBER 2015		NOVEMBER 2015	
	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	29 108	785	33 231	789
Temporary	516	53	285	22
	<b>29 624</b>	<b>838</b>	<b>33 516</b>	<b>811</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 November 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 NOVEMBER 2015 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
Community Services	18 520 100	7 716 708	8 379 885	(663 177)	109%
Corporate Services	431 500	179 792	195 841	(16 049)	109%
Financial Services	128 100	53 375	55 935	(2 560)	105%
Infrastructure and Technical Services	16 827 600	7 011 500	7 354 046	(342 546)	105%
Office of the Municipal Manager	-	-	3 803	(3 803)	0%
<b>Total</b>	<b>35 907 300</b>	<b>14 961 375</b>	<b>15 989 510</b>	<b>(1 028 135)</b>	<b>107%</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 Employee Related Costs - Overtime**

In terms of Council Resolution 10542 dated 01 December 2015, Council resolved that:

*“2. the overtime paid as compensation for officials that were required to perform overtime work be condoned by Council.”*

During the period July 2015 to November 2015 the employees in the following functions worked overtime of more than 15 hours per week which is the maximum that may be allowed in terms of Council’s revised overtime policy (DMS 854249). The detailed information is contained in Annexure AD (DMS 1100395).

The following tables sets out the applicable information:

FUNCTION	FUNCTION DESCRIPTION	1.5 OVERTIME	2.0 OVERTIME	TOTAL HOURS	MAXIMUM HOURS ALLOWED PER MONTH	DIFFERENCE
FX001001005001	Buildings Maintenance Total	93.50	56.00	149.50	135.00	(14.50)
FX002001001001	Marketing and Customer relations Total	473.00	129.50	602.50	480.00	(122.50)
FX002001001003	Process Control Systems Total	56.00	17.50	73.50	60.00	(13.50)
FX002001001004	Electricity and Gas Distribution and Planning Total	2 467.00	796.50	3 263.50	2 595.00	(668.50)
FX002001002	Street Lighting Total	1 049.50	278.50	1 328.00	1 080.00	(248.00)
FX005001012	Security Services Total	60.00	12.00	72.00	60.00	(12.00)
FX011001007	Police Forces Traffic and Street Parking Control Total	153.50	164.00	317.50	270.00	(47.50)
FX012001004002	Roads - Urban Roads Total	262.50	146.00	408.50	330.00	(78.50)
FX013002003003	Recreational Facilities - Swimming Pools Total	40.00	40.00	80.00	75.00	(5.00)
FX013002004001	Sport Development and Sportfields Total	66.50	22.00	88.50	60.00	(28.50)
FX014001003	Solid Waste Removal Total	184.00	224.00	408.00	330.00	(78.00)
FX014001004	Street Cleansing Total	64.00	80.00	144.00	120.00	(24.00)
FX015001002003	Sewerage - Sewerage Network Total	13 985.00	4 866.00	18 851.00	13 440.00	(5 411.00)
FX016001001003	Water Treatment - Scientific Services Total	674.00	234.50	908.50	720.00	(188.50)
FX016001002003	Water Distribution - Water Demand Management Total	85.00	12.00	97.00	75.00	(22.00)
<b>Grand Total</b>		<b>19 713.50</b>	<b>7 078.50</b>	<b>26 792.00</b>	<b>19 830.00</b>	<b>(6 962.00)</b>

### 4.3 Volume of Transfers

Type of Transfer of Funds	July 2015	August 2015	September 2015	October 2015	November 2015	Total Number of Transfers
Capital	0	0	1	3	4	8
Operating	0	10	7	28	23	68
<b>Total</b>	<b>0</b>	<b>10</b>	<b>8</b>	<b>31</b>	<b>27</b>	<b>76</b>

Department	July 2015	August 2015	September 2015	October 2015	November 2015	Total Value of Transfers
Corporate Services	-	72 000	-	168 800	5 000	245 800
Community Services	-	-	401 700	1 214 000	2 495 500	4 111 200
Office of The Municipal Manager	-	877 600	-	7 000	-	884 600
City Development	-	6 900	7 700	-	364 000	378 600
Financial Services	-	4 740 000	3 000	2 000	1 160 000	5 905 000
ITS - Electrical Supply Services	-	50 000	-	1 515 000	13 400	1 578 400
ITS - Engineering Support Services	-	-	-	6 000	3 500	9 500
ITS - Roads and Stormwater	-	-	-	218 000	3 102 900	3 320 900
ITS - Water and Sanitation Services	-	-	-	878 900	532 800	1 411 700
<b>Total</b>	<b>-</b>	<b>5 746 500</b>	<b>412 400</b>	<b>4 009 700</b>	<b>7 677 100</b>	<b>17 845 700</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 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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	1 122 083	1 202 489	-	1 202 489	(80 406)
FX011001007	Police Forces, Traffic and Stre	1 361 200	2 041 700	3 402 900	1 417 875	1 541 505	-	1 541 505	(123 630)
FX005001006003	Occupational Clinic	54 900	82 300	137 200	57 167	-	-	-	57 167
FX005001012	Security Services	-	-	-	-	147 888	-	147 888	(147 888)
FX012001005	Taxi Ranks	46 400	69 500	115 900	48 292	54 993	-	54 993	(6 701)
FX014001003	Solid Waste Removal	1 793 400	2 690 200	4 483 600	1 868 167	2 395 110	-	2 395 110	(526 943)
FX014001004	Street Cleansing	2 132 100	3 198 200	5 330 300	2 220 958	1 934 066	-	1 934 066	286 892
FX015001001	Public Toilets	60 400	90 500	150 900	62 875	76 144	-	76 144	(13 269)
<b>Total</b>		<b>6 525 600</b>	<b>9 788 200</b>	<b>16 313 800</b>	<b>6 797 417</b>	<b>7 352 195</b>	<b>-</b>	<b>7 352 195</b>	<b>(554 778)</b>

□ **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 are 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).

□ **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 an essential service and therefore has to work 7 days a week in order to ensure a healthy and safe environment. It must also be noted that a number of staff working overtime at a time has been limited to weekends and holidays only and it has not increased for the last three years, even though there has been a noticeable increase of service in rural areas and businesses that are to be serviced during weekends, particular skips.

The main contributing factor may be being understaffed and under budgeting. All overtime worked has been pre-planned and approved, as it is based on demand of service.



COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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	382 125	338 696	-	338 696	43 429
FX001001005002	Halls	39 300	58 900	98 200	40 917	74 109	-	74 109	(33 192)
FX013002004001	Sport Development and Sportfields	89 900	134 800	224 700	93 625	150 917	-	150 917	(57 292)
FX013002004002	Sports Grounds and Stadiums - Stadium	-	-	-	-	-	-	-	-
FX013001001	Beaches and Jetties	171 400	257 200	428 600	178 583	157 496	-	157 496	21 087
FX013002003003	Recreational Facilities - Swimming Pools	186 400	279 600	466 000	194 167	167 741	-	167 741	26 426
FX013001002	Community Parks (including Nurseries)	28 700	43 000	71 700	29 875	138 731	-	138 731	(108 856)
<b>Total</b>		<b>882 500</b>	<b>1 323 800</b>	<b>2 206 300</b>	<b>919 292</b>	<b>1 027 690</b>	<b>-</b>	<b>1 027 690</b>	<b>(108 398)</b>

□ **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 more than one function is 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 that resulted in a backlog in collection of vegetation debris and overtime was schedule improve or clear vegetation debris as per our operational requirements. We also experienced Gale Force winds during the same period and as result the pruning teams had to work overtime to remove and clear fallen trees.

## 5.2 Corporate Services

### 5.2.1 Overtime

CORPORATE SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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	124 083	137 808	-	137 808	(13 725)
FX005001008	Legal Services	-	-	-	-	164	-	164	(164)
FX004001001001	Mayor & Council	29 200	43 700	72 900	30 375	51 372	-	51 372	(20 997)
FX005001007	Information Technology	24 300	36 500	60 800	25 333	-	-	-	25 333
FX001001005003	Municipal Buildings	-	-	-	-	6 497	-	6 497	(6 497)
<b>Total</b>		<b>172 600</b>	<b>258 900</b>	<b>431 500</b>	<b>179 792</b>	<b>195 841</b>	<b>-</b>	<b>195 841</b>	<b>(16 049)</b>

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

**Admin & Support:** The over expenditure was incurred due to agenda deliveries done on weekends and after hours.

**Municipal Buildings:** Overtime was incurred by staff members assigned at Halls and Thusong Centre. The process of transferring these staff members to Corporate Services has not yet been finalised.

**Mayor and Council:** Over expenditure was incurred due to loud hailing and attending meetings/functions over weekends.

### 5.3 Financial Services

#### 5.3.1 Overtime

FINANCIAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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	15 375	-	-	-	15 375
FX005001013	Supply Chain Management	36 500	54 700	91 200	38 000	55 935	-	55 935	(17 935)
<b>Total</b>		<b>51 200</b>	<b>76 900</b>	<b>128 100</b>	<b>53 375</b>	<b>55 935</b>	<b>-</b>	<b>55 935</b>	<b>(2 560)</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 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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)
<b>Total</b>		-	-	-	-	<b>3 803</b>	-	<b>3 803</b>	<b>(3 803)</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 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 NOVEMBER 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	20 417	10 812	-	10 812	9 605
FX002001001003	Process Control Systems	11 400	17 200	28 600	11 917	9 104	-	9 104	2 813
FX002001001004	Electricity and gas Distribution and Planning	1 886 300	2 829 500	4 715 800	1 964 917	2 050 414	-	2 050 414	(85 497)
FX002001002	Street lighting	52 400	78 500	130 900	54 542	85 552	-	85 552	(31 010)
<b>Total</b>		<b>1 969 700</b>	<b>2 954 600</b>	<b>4 924 300</b>	<b>2 051 792</b>	<b>2 155 882</b>	<b>-</b>	<b>2 155 882</b>	<b>(104 090)</b>

#### □ Electricity and Gas Distribution and Planning

The 4% over-expenditure reflected for the month of November within Electricity and Gas was informed by extreme weather conditions we in the form of strong winds and lightning. The month of October was utterly devastating as we had more poles falling and power interruptions totalling 18 thus resulting in more long duration outages.

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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	3 458	-	-	-	3 458
FX005001005	Fleet Management	224 500	336 800	561 300	233 875	204 272	-	204 272	29 603
FX001001005001	Building Maintenance	-	-	-	-	42 503	-	42 503	(42 503)
<b>Total</b>		<b>227 800</b>	<b>341 800</b>	<b>569 600</b>	<b>237 333</b>	<b>246 775</b>	<b>-</b>	<b>246 775</b>	<b>(9 442)</b>

□ **Building Maintenance**

Two Employees worked over time at Royal-show ground Pietermaritzburg

INFRASTRUCTURE AND TECHNICAL SERVICES									
OVERTIME									
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 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	16 667	359	-	359	16 308
FX012001004003	Roads - Rural Roads	16 000	24 100	40 100	16 708	2 468	-	2 468	14 240
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-
<b>Total</b>		<b>32 000</b>	<b>48 100</b>	<b>80 100</b>	<b>33 375</b>	<b>2 827</b>	<b>-</b>	<b>2 827</b>	<b>30 548</b>



**INFRASTRUCTURE AND TECHNICAL SERVICES**

**OVERTIME**

FUNCTION	DESCRIPTION	ADOPTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL NOVEMBER 2015 (YTD)			UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	TOTAL	
		R	R	R	R	R	R	R	R
<b>WATER AND SANITATION SERVICES</b>									
FX015001002002	Sewerage - Pumpstations	193 900	290 900	484 800	202 000	204 550	-	204 550	(2 550)
FX015001002003	Sewerage - Sewerage Network	2 143 300	3 215 000	5 358 300	2 232 625	2 782 855	-	2 782 855	(550 230)
FX016001001003	Water Treatment - Scientific Services	20 900	31 300	52 200	21 750	(21 890)	-	(21 890)	43 640
FX016001002001	Water Distribution - Rural Water	2 143 300	3 215 000	5 358 300	2 232 625	1 015 182	-	1 015 182	1 217 443
FX016001002002	Water Distribution - Urban Water	-	-	-	-	967 866		967 866	(967 866)
<b>Total</b>		<b>4 501 400</b>	<b>6 752 200</b>	<b>11 253 600</b>	<b>4 689 000</b>	<b>4 948 563</b>	<b>-</b>	<b>4 948 563</b>	<b>(259 563)</b>

□ **Sewerage – Sewerage Network**

Shortage of material from main stores and sub stores is a contributing factor to over expenditure. Often the plumbers are required to drive around the vicinity of Richards Bay, Empangeni and Esikhaleni seeking the material. The steel manhole lids are often stolen and manholes are left open which allow public members to dump foreign objects in the manholes then that causing more blockages on the sewer line.

□ **Water Distribution – Urban Water**

Shortage of material from main stores and sub stores is a contributing factor to over expenditure. Often the plumbers are required to drive around the vicinity of Richards Bay, Empangeni and Esikhaleni seeking the material. Another contributing factor is the issue of vehicles and plant: they are always at the mechanical workshop for repairs and it takes time to be repaired (Southern V1123\_ V1075\_ V1076\_ V1179\_ V317 - Northern V1185\_ V1186\_ V1172\_ V0286\_ V814\_ V476 - Western V429\_ V1525\_ V1074\_ V1080\_ V1084\_ V1173), hence we can't do planned maintenance, resulting in attending to unplanned jobs, which contributes to over expenditure on overtime. The ageing infrastructure also contributes to over expenditure, as we experience more burst pipes which is ongoing concern.

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

The following monthly budget statement tables **(DMS 1100393)** 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 30 November 2015.

### **8. CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 November 2015.

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

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 November 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 30 November 2015.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 November 2015.

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

Refer to the following tables for the month ended 30 November 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 1103576** (**Annexure AE**).

## **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 30 November 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 1100393)** be noted.
2. the comments on the Municipal Standard Chart of Accounts (SCOA) project status included under point 3.1 of the report be noted; and
3. Council is requested to condone the overtime hours worked above the maximum allowed hours of 15 per week under point 4.2 of the report.