

## ITEM 219 FINANCIAL REPORTING AS AT 30 APRIL 2016

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 April 2016, 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 mSCOA 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 of April 2016 is included under **Annexures Z and AA (DMS 1128779)**.

## **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 FOR THE MONTH - APRIL 2016**

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;**

The Mayor has considered the Section 71 report for the month of April 2016, and the performance of the Municipality against its budget is in line with the budget that was approved by council in May 2015. A detail of all the points highlighted by the Mayor is included in the report.

### **Operational Expenditure**

The monthly budget statement summary (Table C1) for the month of April 2016 (year to date actual), shows a surplus of R38,1 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 fourth quarter of the financial year and capital expenditure is still low at R260,8 million (52,04%). This is based on the Adjusted Capital Budget of R501 million.

### **Cash Flow**

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 3,08:1 (582 588/188 899). Therefore the Municipality has a positive bank balance to defray its expenses.

- (b) **a summary of any financial problems or risks facing the municipality or any such entity; and**

Currently there are **no** financial problems or major risks facing the municipality based on this report that requires intervention. However, I would like to highlight the following which needs to be managed very closely:

1. Although Council has made good progress in the implementation of mSCOA, however it remains a challenge because this is the first time using a system that is supposed to be compliant with the mSCOA regulations, and it is the first for the financial system vendor as well;
2. The collection of outstanding debt remains a challenge more especially in the Traditional Areas. Although Council is doing well when comparing the Municipality with Metros and others, Council still needs to do more on this front;
3. Slow capital expenditure remains a challenge with a 52,04% as at April 2016. It is therefore requested that administration must work hard to better the last year expenditure performance of 91%. Council will carry on monitoring the pattern of this expenditure.
4. Drought is a reality and as a Municipality we need a strategy to respond to this challenge.

(c) **any other information considered relevant by the Mayor**

From the report overtime remains a challenge and the departments have explained the reasons why such overtime was necessary. It is requested though that the overtime expenditure be managed.

## **2. RESOLUTIONS**

Refer to the recommendations contained in this report.

## **3. EXECUTIVE SUMMARY**

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

The status in executive summary form is as follows:

#### **Governance and Change Management:**

- All both the Executive and senior management is supporting the initiative however we need to use the system to its capacity, this consequently slows down the Project Teams progress both on the chart itself and on refining the related business processes. Envisaged solutions in this regard lie in three areas:
  - Line managers to ensure operators of the system are in fact following due process and by using the monitoring tools in the system;
  - Refresher training will be embarked upon;
  - One on one engagement with users to determine and define blockages.
- Continued reporting to both Council and the National Treasury.

#### **Primary Challenges:**

- Due to the unexpected time taken in developing the financial system whilst in the live environment, the Finance Team has spent a lot more time ensuring transaction integrity than it did reviewing the mSCOA structure itself. The National Treasury has a very structured "Questions and Answers platform which the Technical members of the Finance Team are not interrogating /exploiting sufficiently. Envisaged solutions here are imminent as the system is slowly been bedded down, hence more time can be spent in this arena;
- There are still supplier payment delays with reasons almost at every point lying with the officials not following correct procedure;
- Some critical processes are only working partially:
  - Control Account reconciliations e.g. Bank;
  - Discount facility;
  - Retentions;
  - Cessions;
  - Costing module;
  - Payroll interface/link to the chart.

- Some commissioned management processes are not been used at all or only partially. The specific functionality that is not used currently is the:
  - The Bid Process Module – Currently Bids are only captured at the end of the Bid Committee Process. Whereas to ensure proper control, the Process should commence at Bid Specifications;
  - The Contracts Module – It is now ten months into this project and there are still many term contracts still not administered through this module;
- Some uncommissioned process's /functionality that according to the project plan will be in place by 30 June 2016 are:
  - Budget Model;
  - Assets Module;
  - Fleet Module;
  - Works Orders/Costing Module,
  - General Financial Enquiries Module;
  - Statutory Reporting Module
- The National Treasury has still not finalised the Chart itself. We are currently running on a hybridised version of 5.3 and 5.4. It is envisaged that by end of June 2016 V 5.5 will be released. In the medium term the National Treasury's outlook is to only make one more change thereafter, after which Version 6 will be final and applicable from 1 July 2017.

The project is run on a strict Project Management basis and project issues are well documented and managed. Council 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 our challenges currently project deliverables was extended to end of June 2016. Although there is a marked improvement month to month, it is unlikely that all the project deliverables to be in place by year end, but it is certain that by 30 June 2017 this Municipality will be 100% compliant.

### 3.2 **Operating Budget**

The following table represents an executive summary for the financial period ended 30 April 2016:

DESCRIPTION	ADOPTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	2 524 300 900	2 052 147 833	2 103 083 398	102.48%
Expenditure	2 519 363 600	2 062 392 250	2 064 956 012	100.12%
	4 937 300	(10 244 417)	38 127 386	

As can be seen from the table above, Actual Surplus for the month ended 30 April 2016 is significantly higher than the Budgeted Surplus.

Actual revenue to Budgeted revenue is slightly higher than the adjusted budget. Actual expenditure to Budgeted expenditure is equal to the budget limit.

The main reason in reduction of revenue is because of an economic downturn impacting the local economy.

### 3.3 Cash Flow Situation

#### Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 30 APRIL 2016	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 30 APRIL 2016
	R	R	R	R
Conditional Grants	78 336 088	78 336 088	78 336 088	-
Workings Capital	582 587 912	188 899 000	377 798 000	204 789 912
Total (incl. investments)	660 924 000	267 235 088	456 134 088	204 789 912

#### **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 3,08: 1 (582 588/188 899).

#### **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.**

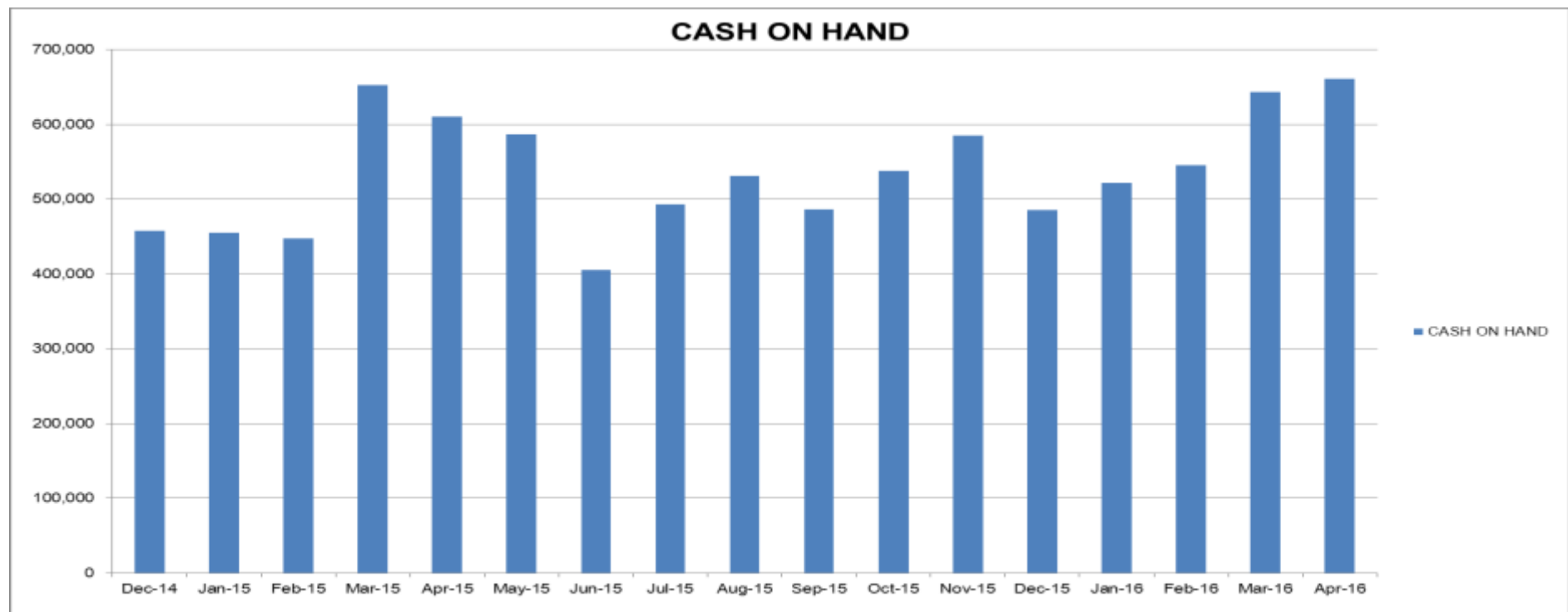
The calculation for the above ratio is as follows: [(220 924 – 78 336) + 440 000) / (2 474 871 – 205 014 – 3 064) / 12] which currently sits at 3,08:1.

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 December 2014

Table:

	Dec-14	Jan-15	Feb-15	Mar-15	April-15	May-15	Jun-15	Jul-15	Aug-15	Sept-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
	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	457 572	455 589	447 501	652 334	610 458	586 847	405 490	493 345	531 182	486 628	537 500	585 547	485 395	521 772	545 885	643 000	660 924



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	TOTAL TO BE RECEIVED AS AT 30/06/2016	AMOUNT RECEIVED AS AT 30/04/2016	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/04/2016	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>						
Equitable Share	229 925 000	229 925 000	-	191 604 166.66	83%	
Municipal Infrastructure Grant	93 154 000	93 154 000	-	85 548 963	92%	This expenditure is as per claims submitted to COGTA.
Municipal Systems Improvement Grant	930 000	930 000	-	382 362	41%	
Financial Management Grant	1 600 000	1 600 000	-	823 726	51%	
Municipal Water Infrastructure Grant	50 882 000	50 882 000	-	7 501 029	15%	Tender for the following will be serving on Bid Evaluation, the reports are being finalized. The reason for poor spending on this grant is a result of cancellation of tenders due to the fraudulent documents submitted by the Contractor.
Water Services Operating Subsidy	7 000 000	7 000 000	-	3 876 449	55%	
Integrated National Electrification Grant	9 000 000	9 000 000	-	8 420 154	94%	The 2014/2015 grant was over-spent by R7 702 431.04. This expenditure is recovered from the 2015/2016 allocation.
Rural Households Infrastructure Grant	4 500 000	4 500 000	-	3 179 914	71%	
Extended Public Works Pogramme	2 961 000	2 961 000	-	1 066 633	36%	
Infrastructure Skills Development Grant	7 500 000	7 500 000	-	5 250 164	70%	The 2014/2015 grant was over-spent by R1 071 691.72 This expenditure is recovered from the 2015/2016 allocation.
Municipal Demarcation Grant	1 857 000	-	1 857 000	-	0%	This grant is for the dis-establishment of Ntambanana Municipality. It is due to be received from CoGTA.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>409 309 000</b>	<b>407 452 000</b>	<b>1 857 000</b>	<b>307 653 561</b>	<b>76%</b>	

NOTES:

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DESCRIPTION OF GRANT	TOTAL TO BE RECEIVED AS AT 30/06/2016	AMOUNT RECEIVED AS AT 30/04/2016	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/04/2016	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>						
Provincialisation of Libraries	6 289 000	6 789 000	(500 000)	14 635 450	216%	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	-	892 472	87%	Expenditure shown is the total operating cost of the Cybercadets for the period.
Housing Operating Account	1 047 000	3 360 440	(2 313 440)	8 589 157	256%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	166 000	166 000	-	3 384 336	2039%	Expenditure shown is the total operating cost of the Museum.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>8 522 000</b>	<b>11 335 440</b>	<b>(2 813 440)</b>	<b>27 501 415</b>	<b>243%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>417 831 000</b>	<b>418 787 440</b>	<b>(956 440)</b>	<b>335 154 976</b>	<b>80%</b>	

### 3.5 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 April 2016 52,04%:

DESCRIPTION	ADJUSTED BUDGET 2015/2016	ACTUAL APRIL 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	%
City Development	140 075 500	102 780 617	73.38%
Community Services - Health and Public Safety	20 048 700	7 462 852	37.22%
Community Services - Recreation and Environmental Services	34 782 000	20 478 109	58.88%
Corporate Services - Administration	23 347 500	5 313 121	22.76%
Corporate Services - Human Resources	-	-	0.00%
Financial Services	1 721 400	38 376	2.23%
Infrastructure and Technical Services - Electrical Supply Services	36 936 300	10 298 986	27.88%
Infrastructure and Technical Services - Engineering Support Services	137 631 000	97 257 197	70.67%
Infrastructure and Technical Services - Transport, Roads and Stormwater	31 984 800	3 845 992	12.02%
Infrastructure and Technical Services - Water and Sanitation Services	74 633 300	13 343 145	17.88%
Office of the Municipal Manager	-	-	0.00%
	<b>501 160 500</b>	<b>260 818 395</b>	<b>52.04%</b>

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2015/2016	ACTUAL APRIL 2016 (YTD)	% OF ADOPTED BUDGET SPENT
		R	%
External Financing Fund	137 235 900	27 018 936	19.69%
Capital Replacement Reserve	91 539 600	37 682 631	41.17%
MIG	88 496 300	83 093 423	93.89%
MIG (RO)	9 099 700	9 099 693	100.00%
Government Grants - National	71 382 000	14 799 061	20.73%
Government Grants - Provincial	82 500 000	82 500 000	100.00%
Government Grants - Provincial (R/O)	17 811 800	5 745 359	32.26%
Reserve	423 100	396 197	93.64%
Insurance	1 556 700	-	0.00%
Public (Lotto Funds)	1 115 400	483 095	43.31%
<b>TOTAL</b>	<b>501 160 500</b>	<b>260 818 395</b>	<b>52.04%</b>

**3.6 The table below reflects a list of all tenders awarded in April 2016:**

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	GL Code	Description	Budget
8/2/1/UMH60-15/16	159483	Supply Of Dynamic Dilution Calibrator And Zero Air Generator Equipment For Calibration Of Ambient Air Quality Monitoring Stations	06-Apr-16	R 459 434	FX003001003	536_2	Air Pollution Equipment	R 876 662.79
8/2/1/UMH76-15/16	160039	Construction Of Pedestrian Walkways For uMhlathuze Municipality	06-Apr-16	R 964 337.03	FX012001004002	572_85	Roads - Urban Roads Walkways And Bridges	R 1 921 100.00
8/2/1/UMH75-15/16	160039	Construction Of Speed Humps And Pedestrian Crossing For uMhlathuze Municipality	06-Apr-16	R 979 041.12	FX012001004002	572_85	Roads - Urban Roads Walkways And Bridges	R 1 921 100.00
8/2/1/UMH03-15/16	159639	Construction Of Four Pedestrian Bridges In Wards 14, 15, 18 And 22 Within The City Of uMhlathuze	13-Apr-16	R 1 160 864.00	FX012001004002	572_85	Roads - Urban Roads Walkways And Bridges	R 1 921 100.00
8/2/1/UMH10-15/16	160225	Appointment Of A Panel Of Consultants To Provide Professional Service On Various Electrical Projects Work	22-Apr-16	Various Amounts	FX002001001004	Various GL-Codes	Electricity and Gas Distribution and Planning	R 24 780 200

### 3.7 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 April 2016:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	629 900 700	524 917 250	484 496 029	92.30%
Remuneration of Councillors	24 728 600	20 607 167	19 988 524	97.00%
Debt Impairment	3 063 800	2 553 167	201 030	7.87%
Depreciation and asset impairment	205 014 200	170 845 167	281 586 560	164.82%
Finance Charges	79 806 300	66 505 250	38 440 056	57.80%
Bulk Purchases - Electricity	934 980 500	779 150 417	836 302 646	107.34%
Bulk Purchases - Water	128 143 000	106 785 833	96 430 803	90.30%
Other Materials	51 450 600	42 875 500	29 529 045	68.87%
Contracted Services	195 199 500	162 666 250	86 554 079	53.21%
Transfers and grants	14 018 400	11 682 000	6 233 766	53.36%
Other Expenditure	208 565 100	173 804 250	185 193 474	106.55%
<b>TOTAL</b>	<b>2 474 870 700</b>	<b>2 062 392 250</b>	<b>2 064 956 012</b>	<b>100.12%</b>

**Depreciation and Asset Impairment** – The expenditure on this line item is higher in April due to the processing of actual depreciation amount as per the assets register. The budget amount for depreciation normally differs to the actual amount as this line item is based on the finalized assets figures after audit. The Municipality is compiling its interim financial statements for the period ending 31 March hence actual figures needed to be processed particularly on this line item.

**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 R215,4 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	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	374 178 000	311 815 000	309 560 351	99.28%
Service Charges – Electricity revenue	1 336 170 000	1 113 475 000	1 193 733 005	107.21%
Service Charges – Water revenue	268 270 000	223 558 333	199 549 927	89.26%
Service Charges – Sanitation revenue	81 200 000	67 666 667	68 261 371	100.88%
Service Charges – Refuse revenue	67 137 000	55 947 500	56 328 392	100.68%
Rental of facilities and equipment	11 524 000	9 603 333	10 308 815	107.35%
Interest earned – external investments	21 981 500	18 317 917	17 511 698	95.60%
Interest earned – outstanding debtors	90 000	75 000	1 902 235	2536.31%
Fines	3 732 300	3 110 250	1 878 886	60.41%
Licences and permits	3 606 600	3 005 500	2 903 137	96.59%
Agency services	7 000 000	5 833 333	5 143 214	88.17%
Operating Grants and Subsidies	258 722 700	215 602 250	211 965 710	98.31%
Other Revenue	28 965 300	24 137 750	24 036 657	99.58%
<b>TOTAL</b>	<b>2 462 577 400</b>	<b>2 052 147 833</b>	<b>2 103 083 398</b>	<b>102.48%</b>

The above table represents operating revenue per category as at 30 April 2016.

### 1.9 Surplus and Deficit by Service Category

	ADJUSTED BUDGET 2015/2016			ACTUAL AS AT 30 APRIL 2016		
	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	6 416	(3 461)	197	(4 348)	4 545
Budget and Treasury Office	404 814	10 495	394 319	321 673	832	320 841
Corporate Services	15 705	62 179	(46 474)	5 506	59 927	(54 421)
Community and Social Services	11 311	48 083	(36 772)	11 804	36 635	(24 831)
Sport and Recreation	20 033	124 477	(104 444)	3 686	99 093	(95 407)
Public Safety	4 677	108 098	(103 421)	2 665	79 166	(76 501)
Housing	103 053	16 388	86 665	9 644	12 067	(2 423)
Health	13	10 848	(10 835)	-	7 102	(7 102)
Planning and Development	1 950	46 738	(44 788)	1 358	32 632	(31 274)
Road Transport	25 519	201 128	(175 609)	7 853	169 262	(161 409)
Water (Portion of PMU funded by Rates & General Services)	7 562	10 780	(3 218)	2 414	5 790	(3 376)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7 562	12 721	(5 159)	968	7 009	(6 041)
<b>Total Rates and General Services</b>	<b>605 154</b>	<b>658 351</b>	<b>(53 197)</b>	<b>367 768</b>	<b>505 167</b>	<b>(137 399)</b>
<b>Airport</b>	<b>596</b>	<b>736</b>	<b>(140)</b>	<b>384</b>	<b>595</b>	<b>(211)</b>
<b>Trading Services</b>						
Electricity	1 352 844	1 176 754	176 090	1 201 684	1 032 278	169 406
Water	440 574	368 630	71 944	195 542	295 587	(100 045)
Clarified Water	8 500	13 437	(4 937)	90 800	19 326	71 474
Sewerage	211 850	150 786	61 064	152 246	133 881	18 365
Refuse Removal	113 465	106 177	7 288	94 959	78 121	16 838
<b>Total Trading Services</b>	<b>2 127 233</b>	<b>1 815 784</b>	<b>311 449</b>	<b>1 735 231</b>	<b>1 559 193</b>	<b>176 038</b>
<b>Total Service Category</b>	<b>2 732 983</b>	<b>2 474 871</b>	<b>258 112</b>	<b>2 103 383</b>	<b>2 064 955</b>	<b>38 428</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**

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	6 608 787	107 615	56 012	3 050 687	9 823 101
Business	201 423 714	2 626 917	4 368 107	72 822 510	281 241 248
Households	45 814 258	3 635 866	2 720 790	54 978 896	107 149 810
Other	5 173 063	793 709	993 613	16 299 656	23 260 041
<b>Total</b>	<b>259 019 822</b>	<b>7 164 107</b>	<b>8 138 522</b>	<b>147 151 749</b>	<b>421 474 200</b>
%	61.46%	1.70%	1.93%	34.91%	

### **FINANCIAL REPORTING ON INCOME / DEBT**

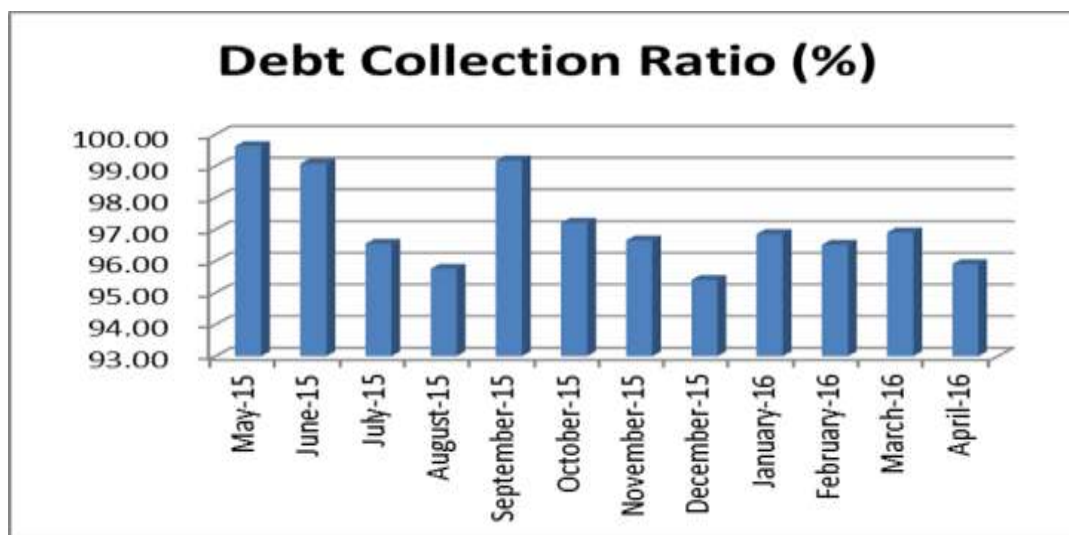
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National Treasury determined the formulas for every financial ratio in terms of Circular 71. These formulas will therefore be used in the reporting.

#### ➤ **Debt Collection Rate**

The Ratio indicates the collection rate; *i.e.* level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. The following formula and norm is included in the circular.

<b><i>Formula (As per circular 71)</i></b>	<b><i>Norm</i></b>
Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	The norm is <b>95%</b>

MONTH	PERCENTAGE (%)
April-16	95.91
March-16	96.91
February-16	96.52
January-16	96.86
December-15	95.41
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



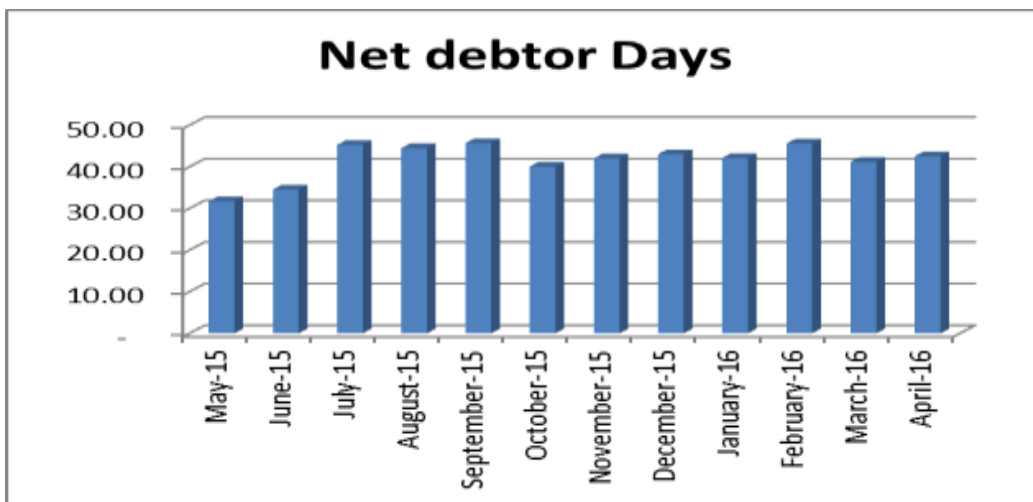
### ➤ Net Debtors Days

This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.

The Ratio exclude balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful Debts.

<i>Formula (As per circular 71)</i>	<i>Norm</i>
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is <b>30 Days</b>

MONTH	COLLECTION IN DAYS
April-16	42.55
March-16	41.20
February-16	45.60
January-16	42.14
December-15	43.03
November-15	42.04
October-15	40.07
September-15	45.70
August-15	44.48
July-15	45.27
June-15	34.57
May-15	31.74



➤ **Summary of Credit Control Technical Actions Performed During April 2016**

DESCRIPTION	Apr-16
SMS Notification - General	9 845
SMS Notification - It & S	-
Final Request - Residential	3 822
Final Request - Business	284
Electricity Disconnection Level 1 (Switch Off Supply)	142
Electricity Disconnection Level 2. Remove Circuit Breaker	1
Illegal Consumption Inspection (Water or Electricity)	1 214
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	844
Water Restriction Level 2. (Install water pressure reducing valve)	3
Water Disconnection (Business accounts)	11
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	210

➤ **Top Ten Business Debts**

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	20 112 790	21 252 790	<p>Basfour 3721 (Pty) Ltd / Indlovu Dev Trust Trustees is the account for the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate. The developer disputed the account. The dispute is of a contractual nature. The account was handed over to Council's attorneys. Summons was issued and the case was defended. The setting down of the court date by the Registrar of the High Court for the claim is still awaited. Council launched an anti-dissipation order application in an attempt to prevent the debtor from selling all his assets. This application is set down for March 2016. This was 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 but was abandoned on legal advice. There has been some different interpretations regarding certain provisions in the original agreement. Specifically the provisions regarding the levying of rates and the payment of commission of the developed properties of the developer within the estate. It was now advised by Council's attorneys that the correct interpretation in respect rates is that the developer must be charged rates from the date the development was completed. An additional amount of rates of approximately R2 million will be charged. The attorneys also advised that the commission should only be charged on the vacant erven in the estate and not on the developed sectional title units. The current debt in respect of commission of R21 million will therefore reduce with R7 million rands.</p> <p>April 2016 - There is no further progress as the court date is awaited.</p>

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1441047	Tata Steel KZN (Pty) in Liquidation	40 934 157	49 910 824	Tata Steel KZN (Pty) Ltd in Liquidation. This account is for electricity and the second account is for rates and basic charges. The company was placed in liquidation following failed business rescue proceedings. A separate detailed report did serve before Council in this regard. The matter is being handled by the Liquidator that was appointed by the Master of High Court. The Liquidator has placed the property up for auction / tender as the previous negotiations with possible purchasers did not materialise. The Liquidator advised that a compromise offer is expected to be issued by the 3rd week of January 2016. The Liquidator has now advised that he will be requesting clearance figures and proceed with the transfer of the property. It is still expected that the full outstanding amount will be recovered. The application for clearance has not been made yet. There is no further progress to report. The liquidator advised that there are 2 possible new purchasers for the plant. The one company wants to re-open the plant and the other one wants to break it down and sell its assets. The company that wants to re-open the plant has submitted a proposal to Council regarding the electricity tariff. This proposal will be submitted to Council by the I&TS Department shortly.
1461195	Tata Steel KZN (Pty) in Liquidation	1 164 096	2 059 924	April 2016 - Further discussions were held between the Municipal Manager and the relevant Departments together with the prospected purchaser regarding negotiations about the electricity tariff. It was agreed that submissions would be made to Council and a separate report would be submitted to Council in this regard.
416383	River Rock Investments (Pty) Ltd	1 671 750	1 716 070	River Rock Investments account is in respect of unpaid charges in respect of rental that are under dispute. Matter is still under consideration by the Legal services and the Department of City Development. River Rock are paying their monthly charges, excluding the disputed charge. April 2016 - No further progress to report.

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1940649	Shifting Sands (Pty) Ltd	1 218 344	1 106 542	<p>The account is in respect of services to a business park in Empangeni. The charges were charges related to the previous owner and there was a large amount corrected once off on the account. There were some aspects of the account that were under dispute, which required correction. These matters were resolved by the Metered Services Section within the Finance Department. The customer is paying the amount off in instalments. The customer did not honour the arrangements and notices of default were issued. Further meetings were held with the client and his attorneys and a substantial payment (R200,000) was made towards the account. A new payment arrangement was also concluded and the debtor will now continue to pay towards the debt in instalments.</p> <p>April 2016 - The debtor is honouring the arrangement and paying in instalments.</p>
1929003	Zotec development (Pty) Ltd	4 011 032	4 011 032	<p>Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Estate in Empangeni. The developer disputed the charges. The matter is set down for Arbitration.</p> <p>April 2016 - There is no further progress as the arbitration date is awaited.</p>
1610626	Tisand (Pty) Ltd	3 288 888	3 613 169	<p>This account for Tisand (Pty) Ltd is in respect of the water surcharge being levied against the debtor. The matter is under dispute. Council obtained advice from its attorneys. The advice is currently being studied and will be reported on in due course.</p> <p>April 2016 - No further progress to report.</p>
392020	River Rock Invest (Pty) Ltd	1 349 380	1 313 713	<p>This account is in respect of unpaid charges in respect of Assessment Rates that are under dispute. The contract state that the rental includes assessment rates. River Rock are paying their monthly charges excluding the disputed amount. A meeting was held between officials of the Finance Department, Legal Services and City Development and a separate report will serve with proposals to settle this matter. The report has been completed and is in circulation for comments. (RPT 159258)</p> <p>April 2016 - No further progress to report.</p>

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1929028	PSE Development Initiatives (Pty) Ltd	746 705	1 494 108	This 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 based on leniency that was given to various other developers of low cost housing in Ngwelezane and Esikhaleni. A separate report will serve in this regard. The report is currently in circulation for comments.

➤ **Government Debt**

The top 10 government debtors are as follows:

TOP 10 GOVERNMENT ACCOUNTS			
ACCOUNT NUMBER	NAME OF DEPARTMENT		TOTAL
			R
1552325	Department of Public Works	Stand 16832/0, Agricultural Properties	592 289.60
2202725	Department of Land Affairs	Stand 15829/0, Agricultural Properties	423 834.01
1991812	Province of Kwazulu Natal	Stand 8917/0, Carsdale	358 150.34
1552318	Department of Public Works	Stand 16802/0, Agricultural Properties	210 215.86
1552357	Department of Public Works	Stand 16833/0, Agricultural Properties	160 702.02
2292976	Department of Public Works	Stand 13661/0, Mandlazini Agri-Village	133 655.35
315314	Department of Public Works	Stand 385/0, eSikhaleni H	114 885.00
281009	Department of Public Works	Stand 2062/0, eSikhaleni J	98 775.05
2292951	Department of Public Works	Stand 13645/0, Mandlazini Agri-Village	91 964.68
2293000	Department of Public Works	Stand 15372/0, Mzingazi Village	82 155.12

The debt indicated in the table above refers to Property Rates.

**Comments Regarding Government Debt**

Extensive individual reporting per account was included in previous reports. Following a previous Council resolution, the relevant government departments were engaged through official correspondence from the Mayor. Despite these letters and a continued effort from the staff in the Credit Control section, having meetings and writing numerous letters and emails, the accounts as listed above remain unpaid. It must be noted that the Government has 396 accounts with Council and the majority of these accounts have been paid. It is only a certain small group of accounts, where the relevant departments indicated that the properties / usage of the properties must still be verified by the user department and the applicable Department of Public Works, where the accounts are not paid. A decision was therefore taken to issue notices of disconnection of services to all government departments and to keep the services disconnected until all the accounts are paid. These notices will be issued in early February 2016 and the proposed disconnections will be in the last week of February 2016. There will also be continuous engagements during this period in an attempt to resolve the accounts before such a drastic step becomes necessary.

The electricity was disconnected during the period of reporting (March 2016). Several government institutions were disconnected and a positive reaction was received. Several meetings were immediately held with Council officials and some long outstanding debts were settled.

The only problematic accounts that remain are being investigated and it is expected to be resolved soon. The pressure will be kept up and further disconnections will be scheduled if further results are not forthcoming.

#### **Update April 2016**

The matter is ongoing.

#### **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 R184 395,00 as per **Annexure AB - DMS 1128779**.

Councillor's debt amounts to R1 815,13 as per **Annexure AC - DMS 1128779**.

#### **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.

**It be noted that the Budget for overtime was reduced during the compilation of the 2015/16 Budget, Council however requested that departments look at their processes and manage the overtime payments to remain within the budget allocation.**

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	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	27 428 200	22 856 833	18 441 207	4 415 626	81%
Overtime - Structured	9 274 600	7 728 833	13 578 689	(5 849 856)	176%
Shift Additional Remuneration	1 821 600	1 518 000	1 689 501	(171 501)	111%
<b>TOTAL</b>	<b>38 524 400</b>	<b>32 103 667</b>	<b>33 709 397</b>	<b>(1 605 730)</b>	<b>105%</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		DECEMBER 2015	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	29 108	785	33 231	789	28 644	793
Temporary	516	53	285	22	183	8
	<b>29 624</b>	<b>838</b>	<b>33 516</b>	<b>811</b>	<b>28 827</b>	<b>801</b>

EMPLOYEES	JANUARY 2016		FEBRUARY 2016		MARCH 2016	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	35 974	772	39 262	796	27 783	758
Temporary	1 943	100	22	6	22	6
	<b>37 917</b>	<b>872</b>	<b>39 284</b>	<b>802</b>	<b>27 805</b>	<b>764</b>

EMPLOYEES	APRIL 2016	
	Total Hours	Total Employees
Permanent	33 117	777
Temporary	1 724	84
	<b>34 841</b>	<b>861</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 April 2016. The relevant departments have supplied the comments for the over-expenditure incurred on overtime.

DEPARTMENT	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
Community Services	20 112 300	16 760 250	18 218 478	(1 458 228)	109%
Corporate Services	484 900	404 083	397 547	6 536	98%
Financial Services	171 200	142 667	115 884	26 783	81%
Infrastructure and Technical Services	17 752 100	14 793 417	14 973 684	(180 267)	101%
Office of the Municipal Manager	3 900	3 250	3 803	(553)	0%
<b>Total</b>	<b>38 524 400</b>	<b>32 103 667</b>	<b>33 709 396</b>	<b>(1 605 729)</b>	<b>105%</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 January 2016 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 1128779).

The following tables sets out the applicable information:

## OVERTIME - APRIL 2016

FUNCTION	FUNCTION DESCRIPTION	1.5 OVERTIME	2.0 OVERTIME	TOTAL HOURS	MAXIMUM HOURS ALLOWED PER MONTH	DIFFERENCE
FX001001003	Cemeteries Funeral Parlours and Crematoriums Total	28.00	40.00	68.00	60.00	8.00
FX001001005001	Buildings Maintenance Total	102.00	93.00	195.00	180.00	15.00
FX002001001001	Marketing and Customer relations Total	227.00	88.00	315.00	180.00	135.00
FX002001001004	Electricity and Gas Distribution and Planning Total	441.25	204.00	645.25	540.00	105.25
FX002001002	Street Lighting Total	178.50	46.00	224.50	180.00	44.50
FX012001004002	Roads - Urban Roads Total	83.00	37.00	120.00	60.00	60.00
FX014001003	Solid Waste Removal Total	408.00	680.00	1 088.00	1 020.00	68.00
FX014001004	Street Cleansing Total	480.00	800.00	1 280.00	1 200.00	80.00
FX015001002002	Sewerage - Pumpstations Total	72.00	96.00	168.00	120.00	48.00
FX015001002003	Sewerage - Sewerage Network Total	4 366.00	1 697.50	6 063.50	3 600.00	2 463.50
FX016001001003	Water Treatment - Scientific Services Total	279.00	168.50	447.50	360.00	87.50
	<b>Grand Total</b>	<b>6 664.75</b>	<b>3 950.00</b>	<b>10 614.75</b>	<b>7 500.00</b>	<b>3 114.75</b>

### 4.3 Volume of Transfers

Type of Transfer of Funds	July 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	Total Number of Transfers
Capital	-	-	1	3	4	14	-	-	-	-	22
Operating	-	10	7	28	23	76	34	21	-	-	199
<b>Total</b>	<b>-</b>	<b>10</b>	<b>8</b>	<b>31</b>	<b>27</b>	<b>90</b>	<b>34</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>221</b>

Department	July 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	Total Value of Transfers
Corporate Services	-	72 000	-	168 800	5 000	1 032 800	203 500	14 000	-	-	1 496 100
Community Services	-	-	401 700	1 214 000	2 495 500	3 492 700	125 100	20 000	-	-	7 749 000
Office of The Municipal Manager	-	877 600	-	7 000	-	7 000	56 400	1 034 000	-	-	1 982 000
City Development	-	6 900	7 700	-	364 000	3 481 900	169 800	65 700	-	-	4 096 000
Financial Services	-	4 740 000	3 000	2 000	1 160 000	1 162 000	3 500	30 500	-	-	7 101 000
ITS - Electrical Supply Services	-	50 000	-	1 515 000	13 400	1 943 300	190 000	39 500	-	-	3 751 200
ITS - Engineering Support Services	-	-	-	6 000	3 500	60 000	-	-	-	-	69 500
ITS - Roads and Stormwater	-	-	-	218 000	3 102 900	3 320 900	-	-	-	-	6 641 800
ITS - Water and Sanitation Services	-	-	-	878 900	532 800	4 686 000	6 300	-	-	-	6 104 000
<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>19 186 600</b>	<b>754 600</b>	<b>1 203 700</b>	<b>-</b>	<b>-</b>	<b>38 990 600</b>

**Security** - The table below indicates the pro-rata budget and actual expenditure for the line item. It is clearly evident that the expenditure is increasing at an alarming rate over the years.

	2012/2013		2013/2014		2014/2015		2015/2016	
LINE ITEM	ADJUSTED BUDGET	ACTUAL	ADJUSTED BUDGET	ACTUAL	ADJUSTED BUDGET	ACTUAL	PRO-RATA BUDGET	ACTUAL
	R	R	R	R	R	R	R	R
SAFEGUARD ANS SECURITY	3,727,590	3,654,283	12,928,500	7,596,226	8,285,500	7,290,401	18,507,333	29,564,799

The spending patterns per department are as follows:

EXPENDITURE PER LINE ITEM	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL APRIL (YTD)	UNDER/(OVER) EXPENDITURE	% OF PRO-RATA BUDGET OVERSPENT
	R	R	R	R	%
CITY DEVELOPMENT	2,028,600	1,690,500	2,502,009	(811,509)	148%
COMMUNITY SERVICES	9,024,100	7,520,083	11,595,625	(4,075,542)	154%
CORPORATE SERVICES	2,215,700	1,846,417	2,855,635	(1,009,218)	155%
FINANCIAL SERVICES	1,319,200	1,099,333	1,822,063	(722,730)	166%
INFRASTRUCTURE AND TECHNICAL SERVICES	7,601,200	6,334,333	10,783,467	(4,449,134)	170%
OFFICE OF THE MUNICIPAL MANAGER	20,000	16,667	6,000	10,667	36%
<b>TOTAL</b>	<b>22,208,800</b>	<b>18,507,333</b>	<b>29,564,799</b>	<b>(11,057,466)</b>	<b>160%</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	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES AND HEALTH										
FX011001005	Fire Fighting and Protection	2 886 000	-	2 886 000	2 405 000	1 103 953	-	1 346 926	2 450 879	(45 879)
FX011001007	Police Forces, Traffic and Street Parking Co	3 699 700	-	3 699 700	3 083 083	18 086	3 413 569	33 564	3 465 219	(382 136)
FX005001006003	Occupational Clinic	-	-	-	-	-	-	-	-	-
FX005001012	Security Services	355 000	-	355 000	295 833	138 879	-	168 211	307 090	(11 257)
FX012001005	Taxi Ranks	132 000	-	132 000	110 000	116 572	-	-	116 572	(6 572)
FX014001003	Solid Waste Removal	5 748 300	-	5 748 300	4 790 250	120 134	5 290 024	-	5 410 158	(619 908)
FX014001004	Street Cleansing	4 641 800	-	4 641 800	3 868 167	685	3 938 551	-	3 939 236	(71 069)
FX015001001	Public Toilets	182 800	-	182 800	152 333	159 962	-	-	159 962	(7 629)
<b>Total</b>		<b>17 645 600</b>	<b>-</b>	<b>17 645 600</b>	<b>14 704 667</b>	<b>1 658 271</b>	<b>12 642 144</b>	<b>1 548 701</b>	<b>15 849 116</b>	<b>(1 144 449)</b>

❑ **Fire Fighting and Protection**

There was no over-expenditure on non-structured overtime. The over -expenditure was on structured overtime due to Public Holidays and Sundays.

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

In view of the adjustment budget total, the Traffic Sub-section did not over-expend against its pro-rata overtime allocation for the month of April 2016. However, the over-expenditure reflected is as a result of some of the previous months in which the traffic personnel have had to work for longer hours over weekends, public holidays and sometimes extended working hours on operations, escorts, public events, emergencies and call-outs to traffic accidents. These hours were worked in circumstances where there was the need for a sustained provision of essential enforcement services that cannot be avoided or interrupted.

Even though the SCOA system does not seem to isolate the structured from the non-structured overtime correctly, it is worth mentioning that unplanned (non-structured) overtime hours were also worked by the traffic personnel and could explain the over-expenditure incurred so far.

❑ **Security Services**

The last dance event is becoming very popular with popular artists that serve as crowd pullers thus attracting a lot of man power that spilled over to 1 January 2016 at the Beach Festival. The programs of our Political Office Bearers were quite intense resulting to more call outs by our security Compliance Officers during this reporting period.

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

Refuse Removal, Street Cleaning, Taxi Ranks and Ablution Facilities are daily activities. In the period at hand there were 5 weekends and holidays, which resulted to over expenditure. All the leave worked was applied for and approved as per the policy, and there has been no increase of staff members working overtime for the last 3 years and this created stability in terms of expenditure. All the work done was necessitated by the need to ensure health and safety environment at all times.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES RECREATION										
FX001001003	Cemeteries	812 900	-	812 900	677 417	610 539	45 272	-	655 811	21 606
FX001001005002	Halls	177 900	-	177 900	148 250	82 331	60 941	-	143 272	4 978
FX013002004001	Sport Development and Sportfields	362 300	-	362 300	301 917	164 506	61 367	-	225 873	76 044
FX013001001	Beaches and Jetties	378 000	-	378 000	315 000	191 300	244 412	-	435 712	(120 712)
FX013002003003	Recreational Facilities - Swimming Pools	402 600	-	402 600	335 500	282 833	369 140	-	651 973	(316 473)
FX013001002	Community Parks (including Nurseries)	333 000	-	333 000	277 500	208 708	48 012	-	256 720	20 780
<b>Total</b>		<b>2 466 700</b>	<b>-</b>	<b>2 466 700</b>	<b>2 055 583</b>	<b>1 540 217</b>	<b>829 144</b>	<b>-</b>	<b>2 369 361</b>	<b>(313 778)</b>

□ **Beaches and Jetties**

The warm weather experienced during this period resulted in public flocking to the beaches. Facilities being available 7 days a week, including the recent public holidays, resulted in the increased overtime expenditure. The continuous maintaining of the Blue Flag Status criteria also requires that staff be present at all times to ensure that the facility is kept to the required standard at all times and thus contributing to the over-expenditure. Cognizance should be taken that each new-year the Financial Department is cutting budget for overtime while the demand for overtime is increasing due to the increase in visitors utilizing the beach area during weekends and public holidays.

□ **Recreational Facilities – Swimming Pools**

The facilities are open 7 days a week and Staff are needed to work weekends and public holidays for the general cleaning of the swimming pools as well as the area. The demand is increasing by the public to utilize the pools during weekends the public holidays. Also swimming galas are only held during weekends and this requires more staff to set up as well as place lanes in the pool. All of this leads into over expenditure on overtime.

## 5.2 Corporate Services

### 5.2.1 Overtime

CORPORATE SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
ADMINISTRATION										
FX005001001	Administrative and Corporate Support	330 800	-	330 800	275 667	181 087	40 930	68 371	290 388	(14 721)
FX005001008	Legal Services	200	-	200	167	164	-	-	164	3
FX004001001001	Mayor & Council	123 300	-	123 300	102 750	42 852	57 645	-	100 497	2 253
FX005001007	Information Technology	15 000	-	15 000	12 500	-	-	-	-	12 500
FX001001005003	Municipal Buildings	15 600	-	15 600	13 000	6 497	-	-	6 497	6 503
Total		484 900	-	484 900	404 083	230 600	98 575	68 371	397 546	6 537

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

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

### 5.3 Financial Services

#### 5.3.1 Overtime

FINANCIAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
FX005001003002	Revenue and Expenditure	14 700	22 200	36 900	30 750	-	8 824	-	8 824	21 926
FX005001013	Supply Chain Management	134 300	-	134 300	111 917	107 060	-	-	107 060	4 857
<b>Total</b>		<b>149 000</b>	<b>22 200</b>	<b>171 200</b>	<b>142 667</b>	<b>107 060</b>	<b>8 824</b>	<b>-</b>	<b>115 884</b>	<b>26 783</b>

### 5.4 Municipal Manager

#### 5.4.1 Overtime

MUNICIPAL MANAGER										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
FX005001009	Marketing, Customer Relations, Publicity	1 500	-	1 500	1 250	1 483	-	-	1 483	(233)
FX004001002005	Municipal Manager	2 400	-	2 400	2 000	2 320	-	-	2 320	(320)
<b>Total</b>		<b>3 900</b>	<b>-</b>	<b>3 900</b>	<b>3 250</b>	<b>3 803</b>	<b>-</b>	<b>-</b>	<b>3 803</b>	<b>(553)</b>

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

The over-expenditure is as a result of meeting held before the pro-rata date. The overtime expenditure in question was for the State of the City address. The over-expenditure on overtime is based on pro-rata calculations. Sufficient amount is budgeted for.

## 5.5 Infrastructure and Technical Services

### 5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
ELECTRICAL SUPPLY SERVICES										
FX002001001001	Marketing and Customer relations	26 000	-	26 000	21 667	10 812	-	-	10 812	10 855
FX002001001003	Process Control Systems	21 900	-	21 900	18 250	9 104	-	-	9 104	9 146
FX002001001004	Electricity and gas Distribution and Planning	4 921 000	-	4 921 000	4 100 833	4 374 171	-	-	4 374 171	(273 338)
FX002001002	Street lighting	205 400	-	205 400	171 167	179 887	-	-	179 887	(8 720)
<b>Total</b>		<b>5 174 300</b>	<b>-</b>	<b>5 174 300</b>	<b>4 311 917</b>	<b>4 573 974</b>	<b>-</b>	<b>-</b>	<b>4 573 974</b>	<b>(262 057)</b>

#### ❑ Electricity and Gas Distribution and Planning

On the month of April we did not have as many outages as the previous month. However, the Pro Rata budget is what is impacting on the expenditure as well as the 3 cable faults on the same ring-network that we had at Empangeni which took longer to repair.

Substation	Date	Equipment affected	Duration	Description	No. of customers	Eskom/Municipality	What happened	What was done (correction)	What needs to be done to prevent a re-occurrence	Estimated cost of corrective/preventive action
Crawford Sub	01/04/2016	Bus-Bars	3 hours	Spare Panel bus-bars exploded	500 Customers R/E	Municipality	Moist accumulated on spare bus-bar shutters and tracking caused explotin.	Replaced bus-bars	Maintenance	R 45 000
Jamieson sub	22/04/2016	MV cables	15 hours	3 cable faults on same ring	200 Customers R/E	Municipality	Cable & RMU faulted	Repairs done to all	None	R 11 000

INFRASTRUCTURE AND TECHNICAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R
ENGINEERING SUPPORT SERVICES										
FX010001007001	Project Management Unit - Administration	3 300	5 000	8 300	6 917	-	-	-	-	6 917
FX005001005	Fleet Management	490 300	-	490 300	408 583	416 788	-	-	416 788	(8 205)
FX001001005001	Building Maintenance	102 100	-	102 100	85 083	95 002	-	-	95 002	(9 919)
<b>Total</b>		<b>595 700</b>	<b>5 000</b>	<b>600 700</b>	<b>500 583</b>	<b>511 790</b>	<b>-</b>	<b>-</b>	<b>511 790</b>	<b>(11 207)</b>

❑ **Fleet Management**

The current age of vehicles causes more frequent breakdown, therefore overtime is controlled as per the number of break downs, the number of puncture encountered further pushes up the overtime cost. The fact that Fleet have to supply generators and man them for events, adds cost to the Department that is not mechanical related. The Workshop Manager scrutinizes all overtime and authorizes only after ensuring that overtime claims are legitimate

INFRASTRUCTURE AND TECHNICAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R		R	R
TRANSPORT, ROADS AND STORMWATER										
FX012001004002	Roads - Urban Roads	900	10 000	10 900	9 083	5 837	-	-	5 837	3 246
FX012001004003	Roads - Rural Roads	6 000	10 000	16 000	13 333	3 233	-	-	3 233	10 100
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>6 900</b>	<b>20 000</b>	<b>26 900</b>	<b>22 417</b>	<b>9 070</b>	<b>-</b>	<b>-</b>	<b>9 070</b>	<b>13 347</b>

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**INFRASTRUCTURE AND TECHNICAL SERVICES**

**OVERTIME**

FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R		R	R
<b>WATER AND SANITATION SERVICES</b>										
FX015001002002	Sewerage - Pumpstations	491 000	-	491 000	409 167	374 339	-	72 429	446 768	(37 601)
FX015001002003	Sewerage - Sewerage Network	6 678 900	-	6 678 900	5 565 750	5 102 629	-	-	5 102 629	463 121
FX016001001003	Water Treatment - Scientific Services	20 900	-	20 900	17 417	26 485	-	-	26 485	(9 068)
FX016001002001	Water Distribution - Rural Water	2 436 500	-	2 436 500	2 030 417	2 172 535	-	-	2 172 535	(142 118)
FX016001002002	Water Distribution - Urban Water	2 322 900	-	2 322 900	1 935 750	2 130 433		-	2 130 433	(194 683)
<b>Total</b>		<b>11 950 200</b>	<b>-</b>	<b>11 950 200</b>	<b>9 958 500</b>	<b>9 806 421</b>	<b>-</b>	<b>72 429</b>	<b>9 878 850</b>	<b>79 650</b>

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❑ **Sewerage – Pump station**

Due to the shortage of staff at both Alton and Arboretum macerators, Staff are required to work double shifts when the other staff are off sick/leave thus resulting in having the over expenditure in overtime. During the blockages, overflows and electrical problems, Personnel called out after hours at various pump stations to attend the problems that also largely contribute on having the expenditure on overtime.

Planned overtime implemented 30/1/16. Critical pump stations inspected over weekends (uMhlathuze Village 2, Hillview, Aquadene 1, V/V Main, M/S Main, and Arboretum Main). This is a temporary arrangement until the problematic pump stations are upgraded. It must be noted that the pump stations are near residential areas, therefore this measure is taken to prevent residents from being exposed to sewer and any contamination that could be caused by an overflow.

❑ **Water Treatment – Scientific Services**

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

❑ **Water Distribution – Rural Water**

City of uMhlathuze is experiencing water shortages and water restriction has commenced, hence water is delivered to communities using water tankers and Jojo tanks. Water delivery is done till midnight as a result overtime is escalating which is resulting to over-expenditure. Continuously breakdown/failures experienced from Municipal Fleet contribute largely on over-expenditure; people become redundant which means all the work that is supposed to be done during the day will only be done after hours by standby teams.

Another major over expenditure contributing factor is ageing water infrastructure which resulting an increase in pipeline failures and breakdowns / pipe burst.

❑ **Water Distribution – Urban Water**

Depots are experiencing staff shortages, hence the outstanding jobs during the working hours will be escalated to an after hour call outs and emergencies which is resulting to an over expenditure on overtime. Continuously breakdown/failures experienced from Municipal Fleet contribute largely on over expenditure, for example if four vehicles are in the workshop it simple means 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.

Another major over expenditure contributing factor is that people are dumping foreign obstacles such as cans, plastic bottles and bricks into sewer manholes. This is resulting in having blockages which causes sewer to over flow and that need to be cleared as an emergency.

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

The following monthly budget statement tables (**DMS 1128778**) 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 April 2016.

### **8. CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 April 2016.

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

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 April 2016.

### **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 April 2016.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 April 2016.

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

Refer to the following tables for the month ended 30 April 2016:

- ❑ 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 1130957** (**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 mSCOA project.

## **RECOMMENDED THAT:**

1. the financial position of the uMhlathuze Municipality as at 30 April 2016, 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 1128778)** be noted;
2. the comments on the Municipal Standard Chart of Accounts (mSCOA) 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.