

11018
FINANCIAL REPORTING AS AT 31 MAY 2016

This report is submitted directly to the Executive Committee.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 May 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 May 2016 is included under **Annexures Z and AA (DMS 1134259)**.

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 - MAY 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 May 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 May 2016 (year to date actual), shows a surplus of R15,8 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 R281,13 million (56,13%). 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 3,06:1 (577 619/188 899). 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 56,13% as at May 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 & 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 31 May 2016:

DESCRIPTION	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
		R	R	%
Revenue (excluding capital grants)	2,462,577,400	2,257,362,617	2,300,961,072	101.93%
Expenditure	2,474,870,700	2,268,631,475	2,285,177,712	100.73%
	(12,293,300)	(11,268,858)	15,783,360	

As can be seen from the table above, Actual Surplus for the month ended 31 May 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 31 MAY 2016	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 MAY 2016
	R	R	R	R
Conditional Grants	62,283,129	62,283,129	62,283,129	-
Workings Capital	577,618,871	188,899,000	377,798,000	199,820,871
Total (incl. investments)	639,902,000	251,182,129	440,081,129	199,820,871

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 3,06: 1 (577 619/188 899).

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.**

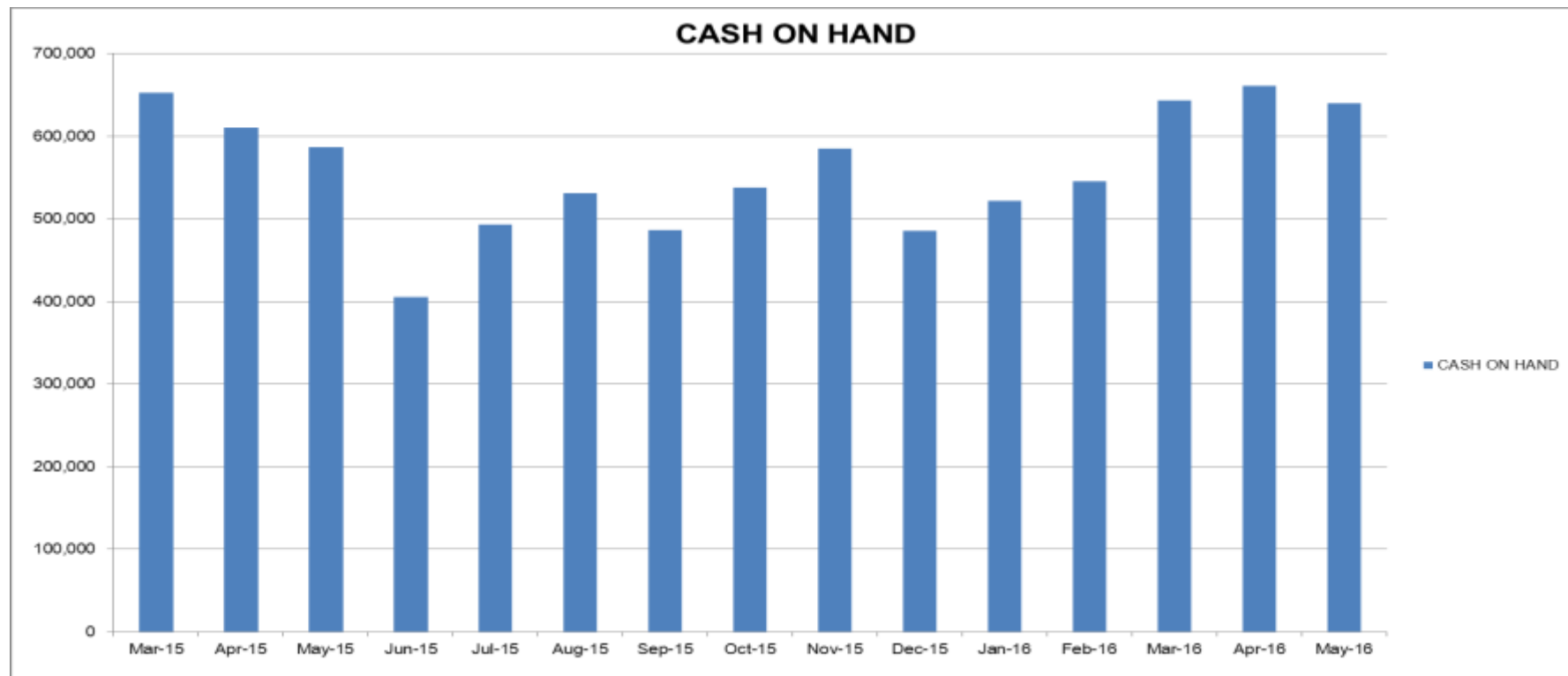
The calculation for the above ratio is as follows: [(199 902 – 62 283) + 440 000) / (2 474 871 – 205 014 – 3 064) / 12] which currently sits at 3,06:1.

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 March 2015

Table:

	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	May-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
Cash on Hand	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	639 902



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 31/05/2016	% SPENT	COMMENTS
NATIONAL TREASURY						
Equitable Share	229,925,000	229,925,000	-	210,764,583.33	92%	
Municipal Infrastructure Grant	93,154,000	93,154,000	-	92,133,289	99%	This expenditure is as per claims submitted to COGTA.
Municipal Systems Improvement Grant	930,000	930,000	-	662,197	71%	
Financial Management Grant	1,600,000	1,600,000	-	871,597	54%	
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	-	4,863,689	69%	
Integrated National Electrification Grant	9,000,000	9,000,000	-	8,478,768	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 Programme	2,961,000	2,961,000	-	1,302,518	44%	
Infrastructure Skills Development Grant	7,500,000	7,500,000	-	6,563,126	88%	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.
TOTAL NATIONAL TREASURY GRANTS	409,309,000	407,452,000	1,857,000	336,320,710	83%	

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 31/05/2016	% SPENT	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	6,289,000	6,789,000	(500,000)	16,339,878	241%	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	-	972,626	95%	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)	9,390,290	279%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	166,000	166,000	-	4,249,751	2560%	Expenditure shown is the total operating cost of the Museum.
TOTAL PROVINCIAL TREASURY GRANTS	8,522,000	11,335,440	(2,813,440)	30,952,546	273%	
TOTAL GRANTS AND SUBSIDIES	417,831,000	418,787,440	(956,440)	367,273,256	88%	

3.5 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 May 2016 56,13%:

DESCRIPTION	ADJUSTED BUDGET 2015/2016	ACTUAL MAY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
	R	R	%
City Development	140,075,500	107,479,781	76.73%
Community Services - Health and Public Safety	20,048,700	8,701,207	43.40%
Community Services - Recreation and Environmental Services	34,782,000	21,952,805	63.12%
Corporate Services - Administration	23,347,500	5,360,186	22.96%
Corporate Services - Human Resources	-	1,093	0.00%
Financial Services	1,721,400	38,376	2.23%
Infrastructure and Technical Services - Electrical Supply Services	36,936,300	10,949,532	29.64%
Infrastructure and Technical Services - Engineering Support Services	137,631,000	101,293,358	73.60%
Infrastructure and Technical Services - Transport, Roads and Stormwater	31,984,800	4,105,700	12.84%
Infrastructure and Technical Services - Water and Sanitation Services	74,633,300	21,055,179	28.21%
Office of the Municipal Manager	-	351,100	0.00%
	501,160,500	281,288,317	56.13%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2015/2016	ACTUAL MAY 2016 (YTD)	% OF ADOPTED BUDGET SPENT
		R	%
External Financing Fund	137,235,900	32,437,166	23.64%
Capital Replacement Reserve	91,539,600	39,738,495	43.41%
MIG	88,496,300	94,140,485	106.38%
MIG (RO)	9,099,700	9,099,693	100.00%
Government Grants - National	71,382,000	15,777,025	22.10%
Government Grants - Provincial	82,500,000	82,851,100	100.43%
Government Grants - Provincial (R/O)	17,811,800	6,365,061	35.74%
Reserve	423,100	396,197	93.64%
Insurance	1,556,700	-	0.00%
Public (Lotto Funds)	1,115,400	483,095	43.31%
TOTAL	501,160,500	281,288,317	56.13%

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	GL Code	Description	Budget
8/2/1/UMH20-15/16	159991	Upgrade Of Lot 63 Taxi Rank At Empangeni	04-May-16	5,004,582	FX012001005	532_3	Construction Of Taxi Rank	4,000,000
8/2/1/UMH89-15/16	159782	Upgrade Of Rural Roads For The City Of uMhlathuze Phase1-Madlanzini	11-May-16	26,572,579	FX012001004002	872_20	Roads Projects - Madlanzini	3,000,000
8/2/1/UMH112-15/16	160037	Supply And Delivery Of Delight Commercial Vehicles As Per National Treasury Tender RT 57-15	11-May-16	245,162	FX005001005	600_122	Fleet - Replacement Vehicles	8,194,800
8/2/1/UMH80-15/16	159614	Supply Of Hot Pre-Mix Asphalt -Rates Only	18-May-16	R890/ton	FX012001004002	254_A2	Streets And Parking - Planned	1,505,600
						254_B2	Maintenance - Material	787,700
8/2/1/UMH115-15/16	160400	Fire Brigade Staff Uniform For Routine Station Activities, Physical Training (PT) Uniform For Daily Physical Training Exercises, Personal Protective Equipment And Clothing (PPE) For Use During Fires And Emergency Operations For Period Of 30 Months	20-May-16	1,967,403	FX011001005	010_0	Fire Fighting And Protection	756,000
8/2/1/UMH120-15/16	160024	Building Fibre Route Between Empangeni, Esikhaleni And Vulindlela Municipal Offices And Facilities	23-May-16	24,490,537	FX005001007	532_206	Information Technology	15,331,900

3.7 **Expenditure per Category**

The table below represents operating expenditure per category incurred as at 31 May 2016:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL MAY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	629,900,700	577,408,975	536,618,485	92.94%
Remuneration of Councillors	24,728,600	22,667,883	21,938,951	96.78%
Debt Impairment	3,063,800	2,808,483	366,128	13.04%
Depreciation and asset impairment	205,014,200	187,929,683	298,717,361	158.95%
Finance Charges	79,806,300	73,155,775	45,090,581	61.64%
Bulk Purchases - Electricity	934,980,500	857,065,458	905,773,903	105.68%
Bulk Purchases - Water	128,143,000	117,464,417	119,008,837	101.31%
Other Materials	51,450,600	47,163,050	32,912,773	69.79%
Contracted Services	195,199,500	178,932,875	96,373,424	53.86%
Transfers and grants	14,018,400	12,850,200	7,525,481	58.56%
Other Expenditure	208,565,100	191,184,675	220,851,788	115.52%
TOTAL	2,474,870,700	2,268,631,475	2,285,177,712	100.73%

Depreciation and Asset Impairment – The expenditure on this line item is higher in May 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 compiled 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 R230,9 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 MAY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	374,178,000	342,996,500	342,310,086	99.80%
Service Charges – Electricity revenue	1,336,170,000	1,224,822,500	1,302,439,535	106.34%
Service Charges – Water revenue	268,270,000	245,914,167	216,295,201	87.96%
Service Charges – Sanitation revenue	81,200,000	74,433,333	75,221,154	101.06%
Service Charges – Refuse revenue	67,137,000	61,542,250	62,209,034	101.08%
Rental of facilities and equipment	11,524,000	10,563,667	11,463,722	108.52%
Interest earned – external investments	21,981,500	20,149,708	19,804,999	98.29%
Interest earned – outstanding debtors	90,000	82,500	51,923	62.94%
Fines	3,732,300	3,421,275	2,072,541	60.58%
Licences and permits	3,606,600	3,306,050	3,167,335	95.80%
Agency services	7,000,000	6,416,667	5,636,383	87.84%
Operating Grants and Subsidies	258,722,700	237,162,475	233,874,031	98.61%
Other Revenue	28,965,300	26,551,525	26,415,128	99.49%
TOTAL	2,462,577,400	2,257,362,617	2,300,961,072	101.93%

The above table represents operating revenue per category as at 31 May 2016.

1.9 Surplus and Deficit by Service Category

	ADJUSTED BUDGET 2015/2016			ACTUAL AS AT 31 MAY 2016		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Rates and General Services						
Executive and Council	2,955	6,416	(3,461)	211	(5,072)	5,283
Budget and Treasury Office	404,814	10,495	394,319	354,910	2,819	352,091
Corporate Services	15,705	62,179	(46,474)	6,484	78,394	(71,910)
Community and Social Services	11,311	48,083	(36,772)	12,173	43,104	(30,931)
Sport and Recreation	20,033	124,477	(104,444)	4,012	110,856	(106,844)
Public Safety	4,677	108,098	(103,421)	2,909	87,062	(84,153)
Housing	103,053	16,388	86,665	10,529	13,182	(2,653)
Health	13	10,848	(10,835)	-	7,757	(7,757)
Planning and Development	1,950	46,738	(44,788)	1,485	36,145	(34,660)
Road Transport	25,519	201,128	(175,609)	8,599	182,100	(173,501)
Water (Portion of PMU funded by Rates & General Services)	7,562	10,780	(3,218)	3,341	7,098	(3,757)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	7,562	12,721	(5,159)	1,894	8,468	(6,574)
Total Rates and General Services	605,154	658,351	(53,197)	406,547	571,913	(165,366)
Airport	596	736	(140)	384	631	(247)
Trading Services						
Electricity	1,352,844	1,176,754	176,090	1,311,146	1,122,291	188,855
Water	440,574	368,630	71,944	208,878	334,422	(125,544)
Clarified Water	8,500	13,437	(4,937)	101,720	19,971	81,749
Sewerage	211,850	150,786	61,064	167,603	148,824	18,779
Refuse Removal	113,465	106,177	7,288	104,684	87,126	17,558
Total Trading Services	2,127,233	1,815,784	311,449	1,894,031	1,712,634	181,397
Total Service Category	2,732,983	2,474,871	258,112	2,300,962	2,285,178	15,784

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	6,522,988	138,511	72,866	3,136,207	9,870,572
Business	187,539,914	4,755,225	1,391,893	76,129,864	269,816,896
Households	48,457,145	3,422,035	3,364,567	58,189,510	113,433,257
Other	539,339	622,646	510,556	13,919,921	15,592,462
Total	243,059,386	8,938,417	5,339,882	151,375,502	408,713,187
%	59.47%	2.19%	1.31%	37.04%	

FINANCIAL REPORTING ON INCOME / DEBT

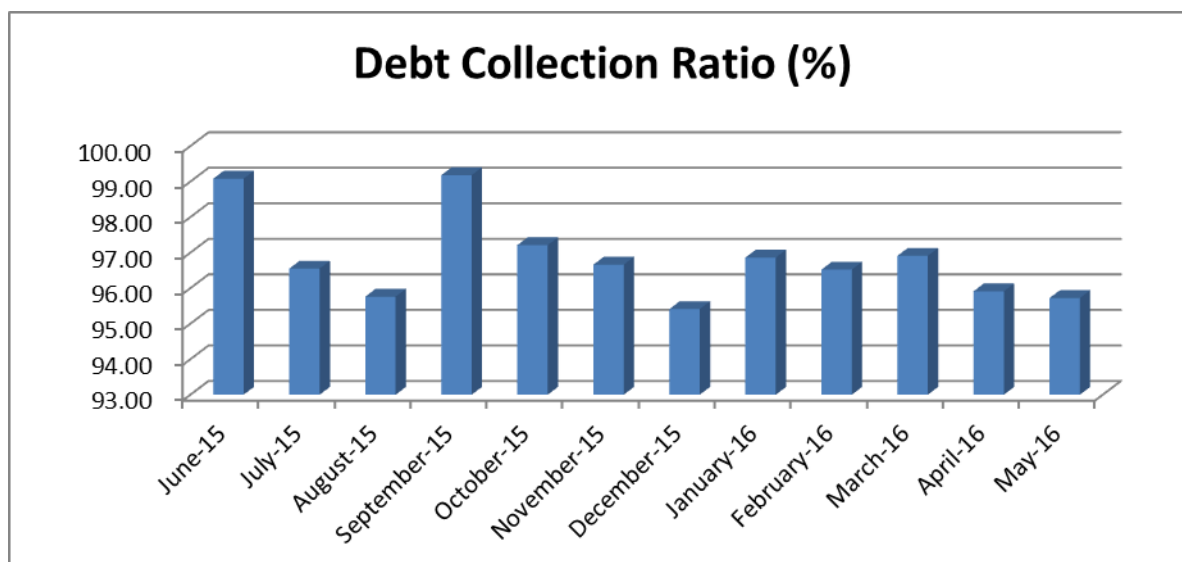
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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.

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

MONTH	PERCENTAGE (%)
May-16	95.72
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



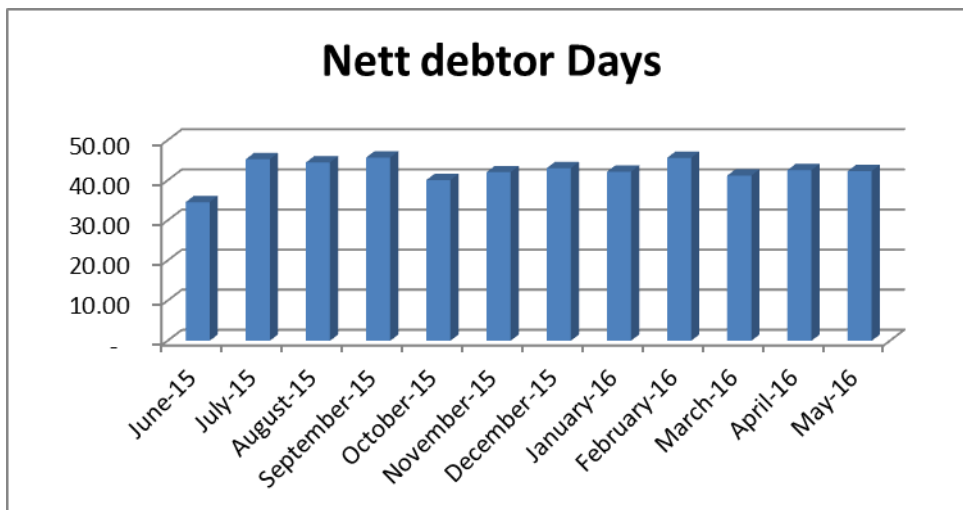
➤ **Net Debtors Days**

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 30 Days

MONTH	COLLECTION IN DAYS
May-16	42.30
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



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

DESCRIPTION	May-16
SMS Notification - General	9,881
SMS Notification - It & S	-
Final Request - Residential	4,433
Final Request - Business	422
Electricity Disconnection Level 1 (Switch Off Supply)	152
Electricity Disconnection Level 2. Remove Circuit Breaker	3
Illegal Consumption Inspection (Water or Electricity)	1,264
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	913
Water Restriction Level 2. (Install water pressure reducing valve)	14
Water Disconnection (Business accounts)	11
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	206

➤ **Top Ten Business Debts**

The top 10 arrear Accounts			
Acc No	Name	90 days+	Grand Total
		R	R
1441047	TATA STEEL KZN (PTY) LTD	43,185,412.78	52,145,636.02
1854904	BASFOUR 3721 (PTY) LTD	20,967,789.88	21,252,789.88
1929003	ZOTEC DEVELOPMENT (PTY) LTD	4,012,360.05	4,012,360.05
1610626	TISAND (PTY) LTD	3,345,509.88	3,703,735.14
416383	RIVER ROCK INVEST (PTY) LTD	1,499,567.65	1,704,637.69
1461195	TATA STEEL KZN (PTY) LTD	1,360,044.11	2,254,538.98
1940649	SHIFTING SANDS PROPERTY INVESTMENTS	941,352.98	1,086,541.01
2289941	PANDA PETROLEUMS (PTY) LTD	933,475.47	1,682,365.13
1929028	PSE DEVELOPMENT(PTY) LTD	629,148.63	629,148.63
2024857	SUGERBERRY TRADING 664	522,960.00	522,960.00
Total		77,397,621.43	88,994,712.53

➤ **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	601,312.30
2202725	Department of Land Affairs	Stand 15829/0, Mkhwananzi North	427,747.81
970111	Province of Kwazulu Natal	Stand 8916/3 Empangeni	377,831.64
1991812	Province of Kwazulu Natal	Stand 8917 Empangeni	359,655.05
1552318	Department of Public Works	Stand 16802/0, Agricultural Properties	211,780.33
1552357	Department of Public Works	Stand 16833/0, Agricultural Properties	161,894.24
2292976	Department of Public Works	Stand 13661 Mandlazini	134,884.92
315314	Department of Public Works	Stand 385/0, eSikhaleni H	115,920.00
281009	Department of Public Works	Stand 2062/0, eSikhaleni J	99,220.83
2292951	Department of Public Works	Stand 13645/0, Mandlazini Village	92,810.71

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 R186 853,02 as per **Annexure AB - DMS 1134259**.

Councillor's debt amounts to R1 217,07 as per **Annexure AC - DMS 1134259**.

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 MAY 2016 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	27,428,200	25,142,517	21,054,122	4,088,395	84%
Overtime - Structured	9,274,600	8,501,717	15,383,913	(6,882,196)	181%
Shift Additional Remuneration	1,821,600	1,669,800	1,984,413	(314,613)	119%
TOTAL	38,524,400	35,314,033	38,422,448	(3,108,415)	109%

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

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

EMPLOYEES	OCTOBER 2015		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
	29 624	838	33 516	811	28 827	801

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
	37 917	872	39 284	802	27 805	764

EMPLOYEES	APRIL 2016		MAY 2016	
	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	33,117	777	42,774	822
Temporary	1,724	84	1,334	79
	34,841	861	44,108	901

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 May 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 MAY 2016 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Community Services	20,112,300	18,436,275	20,603,850	(2,167,575)	112%
Corporate Services	484,900	444,492	514,037	(69,545)	116%
Financial Services	171,200	156,933	130,553	26,380	83%
Infrastructure and Technical Services	17,752,100	16,272,758	17,166,196	(893,438)	105%
Office of the Municipal Manager	3,900	3,575	7,811	(4,236)	0%
Total	38,524,400	35,314,033	38,422,447	(3,108,414)	109%

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 May 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 1134259).

The following tables sets out the applicable information:

OVERTIME - MAY 2016						
FUNCTION	FUNCTION DESCRIPTION	1.5 OT	2.0 OT	TOTAL HRS	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE
FX016001001003	Water Treatment - Scientific Services	412.00	216.50	628.50	375.00	253.50
FX015001002003	Sewerage - Sewerage Network	7,041.50	2,831.50	9,873.00	6,300.00	3,573.00
FX015001002002	Sewerage - Pumpstations	100.00	64.00	164.00	150.00	14.00
FX012001004002	Roads - Urban Roads	416.00	159.00	575.00	375.00	200.00
FX011001007	Police Forces Traffic and Street Parking Control	33.50	44.50	78.00	75.00	3.00
FX005001006004	Training and Industrial Relations	86.00	31.50	117.50	75.00	42.50
FX005001001	Administrative and Corporate Support	76.00	8.00	84.00	75.00	9.00
FX004001001001	Mayor and Council	75.00	41.00	116.00	75.00	41.00
FX002001002	Street Lighting	246.00	71.50	317.50	225.00	92.50
FX002001001004	Electricity and Gas Distribution and Planning	565.00	220.50	785.50	600.00	185.50
FX002001001001	Marketing and Customer relations	53.50	23.00	76.50	75.00	1.50
Grand Total		9,104.50	3,711.00	12,815.50	8,400.00	4,415.50

4.3 Volume of Transfers

Type of Transfer of Funds	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May-16	Total Number of Transfers
Capital	-	-	1	3	4	14	-	-	-	-	-	22
Operating	-	10	7	28	23	76	34	21	-	-	55	254
Total	-	10	8	31	27	90	34	21	-	-	55	276

Department	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May-16	Total Value of Transfers
Corporate Services	-	72,000	-	168,800	5,000	1,032,800	203,500	14,000	-	-	75,340	1,571,440
Community Services	-	-	401,700	1,214,000	2,495,500	3,492,700	125,100	-	-	-	355,500	8,084,500
Office of The Municipal Manager	-	877,600	-	7,000	-	7,000	56,400	1,034,000	-	-	25,200	2,007,200
City Development	-	6,900	7,700	-	364,000	3,481,900	169,800	65,700	-	-	144,760	4,240,760
Financial Services	-	4,740,000	3,000	2,000	1,160,000	1,162,000	3,500	30,500	-	-	3,493,400	10,594,400
ITS - Electrical Supply Services	-	50,000	-	1,515,000	13,400	1,943,300	190,000	39,500	-	-	131,600	3,882,800
ITS - Engineering Support Services	-	-	-	6,000	3,500	60,000	-	-	-	-	82,200	151,700
ITS - Roads and Stormwater	-	-	-	218,000	3,102,900	3,320,900	-	-	-	-	145,000	6,786,800
ITS - Water and Sanitation Services	-	-	-	878,900	532,800	4,686,000	6,300	-	-	-	270,500	6,374,500
DCOMMS - Health And Pubic Safety	-	-	-	-	-	-	-	20,000	-	-	27,500	47,500
Mayor And Council	-	-	-	-	-	-	-	-	-	-	80,000	80,000
ICT Services											22,000	22,000
Total	-	5,746,500	412,400	4,009,700	7,677,100	19,186,600	754,600	1,203,700	-	-	4,853,000	43,741,600

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	20,358,067	34,002,536

The spending patterns per department are as follows:

EXPENDITURE PER LINE ITEM	ADJUSTED BUDGET 2015/2016	PRO-RATA BUDGET (YTD)	ACTUAL MAY (YTD)	UNDER/(OVER) EXPENDITURE	% OF PRO-RATA BUDGET OVERSPENT
	R	R	R	R	%
CITY DEVELOPMENT	2,028,600	1,859,550	2,589,523	(729,973)	139%
COMMUNITY SERVICES	9,024,100	8,272,092	13,768,142	(5,496,050)	166%
CORPORATE SERVICES	2,215,700	2,031,058	3,196,658	(1,165,600)	157%
FINANCIAL SERVICES	1,319,200	1,209,267	2,174,277	(965,010)	180%
INFRASTRUCTURE AND TECHNICAL SERVICES	7,601,200	6,967,767	12,267,936	(5,300,169)	176%
OFFICE OF THE MUNICIPAL MANAGER	20,000	18,333	6,000	12,333	33%
TOTAL	22,208,800	20,358,067	34,002,536	(13,644,469)	167%

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 MAY 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	2,645,500	1,159,907	-	1,578,225	2,738,132	(92,632)
FX011001007	Police Forces, Traffic and Street Parking	3,699,700	-	3,699,700	3,391,392	18,626	3,791,092	40,279	3,849,997	(458,605)
FX005001006003	Occupational Clinic	-	-	-	-	-	-	-	-	-
FX005001012	Security Services	355,000	-	355,000	325,417	157,278	-	188,933	346,211	(20,794)
FX012001005	Taxi Ranks	132,000	-	132,000	121,000	128,578	-	-	128,578	(7,578)
FX014001003	Solid Waste Removal	5,748,300	-	5,748,300	5,269,275	143,414	5,873,615	-	6,017,029	(747,754)
FX014001004	Street Cleansing	4,641,800	-	4,641,800	4,254,983	685	4,599,062	-	4,599,747	(344,764)
FX015001001	Public Toilets	182,800	-	182,800	167,567	181,506	-	-	181,506	(13,939)
Total		17,645,600	-	17,645,600	16,175,133	1,789,994	14,263,769	1,807,437	17,861,200	(1,686,067)

□ **Fire Fighting and Protection**

The overtime over expenditure incurred by the Fire Brigade was due Public Holidays and Sundays.

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

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.

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

This was a long month with five weekends and two holidays. It should be noted that Waste Management operates in full capacity during holidays due to type of service it renders. The number of staff worked has not increased during weekends for the last 3 years and were all pre-approved. The number cannot further be decreased as that will compromise our Constitutional mandate of ensuring health and safety environment.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL MAY 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 RECRATION										
FX001001003	Cemeteries	812,900	-	812,900	745,158	694,452	45,272	-	739,724	5,434
FX001001008	Museums And Art Galleries				-	832			832	
FX001001005002	Halls	177,900	-	177,900	163,075	82,331	76,079	-	158,410	4,665
FX013002004001	Sport Development and Sportfields	362,300	-	362,300	332,108	242,183	95,975	-	338,158	(6,050)
FX013002004002	Sports Grounds and Stadiums - Stadium	-	-	-	-	-	-		-	-
FX013001001	Beaches and Jetties	378,000	-	378,000	346,500	191,300	271,855	-	463,155	(116,655)
FX013002003003	Recreational Facilities - Swimming Pools	402,600	-	402,600	369,050	289,804	410,107	-	699,911	(330,861)
FX013002003002	Recreational Facilities - Parks Admin					78,320			78,320	
FX013001002	Community Parks (including Nurseries)	333,000	-	333,000	305,250	216,131	48,012	-	264,143	41,107
Total		2,466,700	-	2,466,700	2,261,142	1,795,353	947,300	-	2,742,653	(402,359)

□ **Sport Development and Sportsfields**

Sport and Recreation Development and Sport fields over-spent due to many events which were hosted at various sport facilities. Officials had to do the marking and cleaning before and during events. Due to breakdown to tractors and mowers, grass cutting could not be completed during working days and officials had to continue with grass cutting over weekends

□ **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. Cognisance should be taken that each new-year the Finance 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**

Since the swimming pools have closed from 29 April 2016, there was no overtime incurred in this section. But due to closing dates of the salary overtime is incurred. The facilities were open 7 days a week and staff are needed to work weekends and public holidays for the general cleaning of the swimming pool 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 MAY 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	303,233	213,986	40,930	90,526	345,442	(42,209)
FX005001008	Legal Services	200	-	200	183	164	-	-	164	19
FX004001001001	Mayor & Council	123,300	-	123,300	113,025	42,852	119,082	-	161,934	(48,909)
FX005001007	Information Technology	15,000	-	15,000	13,750	-	-	-	-	13,750
FX001001005003	Municipal Buildings	15,600	-	15,600	14,300	6,497	-	-	6,497	7,803
Total		484,900	-	484,900	444,492	263,499	160,012	90,526	514,037	(69,545)

□ 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.

Mayor and Council: Over expenditure was due to the Section conducting loud hailing and meetings held after

5.3 Financial Services

5.3.1 Overtime

FINANCIAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL MAY 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	33,825	-	8,824	-	8,824	25,001
FX005001013	Supply Chain Management	134,300	-	134,300	123,108	121,729	-	-	121,729	1,379
Total		149,000	22,200	171,200	156,933	121,729	8,824	-	130,553	26,380

5.4 Municipal Manager

5.4.1 Overtime

MUNICIPAL MANAGER										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL MAY 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	1,375	1,483	4,007	-	5,490	(4,115)
FX004001002005	Municipal Manager	2,400	-	2,400	2,200	2,320	-	-	2,320	(120)
Total		3,900	-	3,900	3,575	3,803	4,007	-	7,810	(4,235)

□ 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 MAY 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	23,833	18,230	-	-	18,230	5,603
FX002001001003	Process Control Systems	21,900	-	21,900	20,075	(248)	-	-	(248)	20,323
FX002001001004	Electricity and gas Distribution and Planning	4,921,000	-	4,921,000	4,510,917	4,850,277	-	-	4,850,277	(339,360)
FX002001002	Street lighting	205,400	-	205,400	188,283	199,102	-	-	199,102	(10,819)
Total		5,174,300	-	5,174,300	4,743,108	5,067,361	-	-	5,067,361	(324,253)

□ Electricity and Gas Distribution and Planning

The main outages which contributed to over-expenditure were:

- 25/4/2016 - Cygnus Substation: Cable fault between MS 24, 29 & 29 - 460 Customers affected - Duration 8 hours
- 30/4/2016 - Aries Substation: Pole fell resulting in power interruption - 500 Customers affected - Duration 8 hours
- 22/4/2016 - Jameson Substation: 3 Cables faults on same ring - 200 Customers affected - Duration 15 hours
- 21/4/2016 - Ngwelezane Main: DMV breaker tripped - 780 Customers affected - Duration 8 hours
- 24/4/2016 - Ubhejane Substation: Cross arm burnt off - 40 Customers affected - Duration 8 hours

INFRASTRUCTURE AND TECHNICAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL MAY 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	7,608	-	-	-	-	7,608
FX005001005	Fleet Management	490,300	-	490,300	449,442	474,247	-	-	474,247	(24,805)
FX001001005001	Building Maintenance	102,100	-	102,100	93,592	110,308	-	-	110,308	(16,716)
Total		595,700	5,000	600,700	550,642	584,555	-	-	584,555	(33,913)

□ **Fleet Management**

On May month we reserved a number of tyre failures due to condition of dumping site area. Breakdowns on compactor trucks e.g brakes booster pipes being damaged also because of the condition of the dumping area. Engine failures on bush trucks engines due to radiator hoses being hocked out by the logs at dump side area. Most of council fleet is aged so a number of breakdowns are experienced due to wear tear. Breakdowns on water tankers for water and sanitation due to road condition where deliveries of water is conducted. Also the proportional ratio of man power versus to number of vehicles, plant and equipment need to be considered to avoid over expenditure on overtime.

□ **Building Maintenance**

Employees were working at Empangeni Town Hall because of the heavy rains and the water was getting through the windows to the DB Box, they have to clean all the drains.

INFRASTRUCTURE AND TECHNICAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL MAY 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	9,992	5,837	-	-	5,837	4,155
FX012001004003	Roads - Rural Roads	6,000	10,000	16,000	14,667	5,116	-	-	5,116	9,551
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-	-
Total		6,900	20,000	26,900	24,658	10,953	-	-	10,953	13,705

INFRASTRUCTURE AND TECHNICAL SERVICES										
OVERTIME										
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2015/2016			PRO-RATA BUDGET (YTD)	ACTUAL MAY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R		R	R
WATER AND SANITATION SERVICES										
FX015001002002	Sewerage - Pumpstations	491,000	-	491,000	450,083	442,209	-	86,451	528,660	(78,577)
FX015001002003	Sewerage - Sewerage Network	6,678,900	-	6,678,900	6,122,325	5,877,322	-	-	5,877,322	245,003
FX016001001003	Water Treatment - Scientific Services	20,900	-	20,900	19,158	26,485	-	-	26,485	(7,327)
FX016001002001	Water Distribution - Rural Water	2,436,500	-	2,436,500	2,233,458	2,556,481	-	-	2,556,481	(323,023)
FX016001002002	Water Distribution - Urban Water	2,322,900	-	2,322,900	2,129,325	2,514,379	-	-	2,514,379	(385,054)
Total		11,950,200	-	11,950,200	10,954,350	11,416,876	-	86,451	11,503,327	(548,977)

NOTES:

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❑ **Sewerage – Pump station**

Empangeni Group pumps and Reservoirs, Reservoir Readings, Cleaning of screens and inspections. This is a daily task done by Empangeni plumbers. Our section assist them alternate weekends including public holidays so that their Staff has a weekend off. Assist Empangeni Plumbers with grass cutting at reservoirs. Arboretum and Alton Macerators - There was a shortage of staff at both macerators. Staff are required to work double shifts when others are off sick/leave. Standby personnel are called out to purchase food for staff working overtime. There are blockages, overflows and electrical problems. Personnel called out after hours at various pump stations.

❑ **Water Treatment – Scientific Services**

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

❑ **Water Distribution – Rural Water**

Vehicle breakdown causes delays in responding to reported breakdowns which then contribute to overtime expenditure if we only utilize few teams during the day. 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 store and sub stores contribute to over expenditure. Sometimes the plumber has to drive around the vicinity of Richards Bay, Empangeni and eSikhaleni looking for 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. So we can't do planned maintenance, we end up attending to unplanned jobs which contributes to over expenditure on overtime, more especially the breakdown of TLB machines and Jetting machines.

The aging infrastructure also contributes to over expenditure, the aging 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 1135271**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 May 2016.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 May 2016.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 May 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 31 May 2016.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 May 2016.

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 May 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 1138635** (**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 31 May 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 1135271)** 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.