

11075

FINANCIAL REPORTING AS AT 31 JULY 2016

This report served before the Financial Services Portfolio Committee on 4 October 2016. The recommendations were supported.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 July 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 July 2016 is included under **Annexures Z and AA (DMS 1149821)**.

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 - JULY 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 July 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 July 2016 (year to date actual), shows a surplus of R48,8 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 first quarter of the financial year and capital expenditure is still low at R4,7 million (0.97%). This is based on the Adopted Capital Budget of R479 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 1.79: 1 (353 475 /197 501). 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 0,97% as at July 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:

- Both the Executive and senior management is supporting the initiative however we need to use the system to its maximum capacity. Not exploiting the system's ability slows down the Project Teams progress both on the mSCOA chart itself and on refining the related business process bugs. 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; and
 - 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 than expected in ensuring transaction integrity, than the Team should have in 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. The system now is a lot more stable than 12 months ago, hence more time can be spent in this arena interrogation going forward;
- There are still supplier payment delays with reasons found at every point lying with the officials not following correct procedure and not that of the MSCOA initiative or the Financial System;
- Some critical processes are only working partially:
 - Discount facility;
 - Retentions;
 - Cessions;
 - Costing module;
 - Project based accounting and budgeting;
 - Management Accounting;
 - Payroll interface/link to the chart.

- Some installed and commissioned management processes are not been used at all or only partially. The specific functionality that is not used currently is the:
 - The Bids 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. There are current management undertakings to curb the risk here.
- Some un-commissioned processes / functionality that according to the project plan should have been functional by 30 June 2016 are not:
 - Budget Model;
 - Assets Module;
 - Fleet Module;
 - Works Orders/Costing Module,
 - General Financial Enquiries Module;
 - Statutory Reporting Module

For the next 71 Report the Chief Financial Officer will summarise the way forward here.

- The National Treasury has now finally settled with their final version of the chart itself – Version 6 which will be the legal version for implementation on the 1 July 2017. Our current chart is a hybridised version of 5.3, 5.4 and 5.5 as we were piloting the chart.

The project was 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 initially in September 2015 and extended to 30 June 2016. Given that not all the modules are yet commissioned, the way forward is busy been formulated, hence not yet finalized. It is expected that by the next summary report, the Chief Financial Officer will be able to report on such.

3.2 Operating Budget

The following table represents an executive summary for the financial period ended 31 July 2016:

DESCRIPTION	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
		R	R	%
Revenue (excluding capital grants)	2,635,836,500	219,653,042	267,462,096	121.77%
Expenditure	2,629,336,500	219,111,375	218,628,070	99.78%
	6,500,000	541,667	48,834,026	

As can be seen from the table above, Actual Surplus for the month ended 31 July 2016 is significantly higher than the Budgeted Surplus.

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

3.3 Cash Flow Situation

Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 31 JULY 2016	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 JULY 2016
	R	R	R	R
Conditional Grants	22 427 275	22 427 275	22 427 275	-
Workings Capital	353 475 725	197 501 133	395 002 266	(41 526 541)
Total (incl. investments)	375 903 000	219 928 408	417 429 541	(41 526 541)

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 1.79: 1 (353 475 /197 501).

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.**

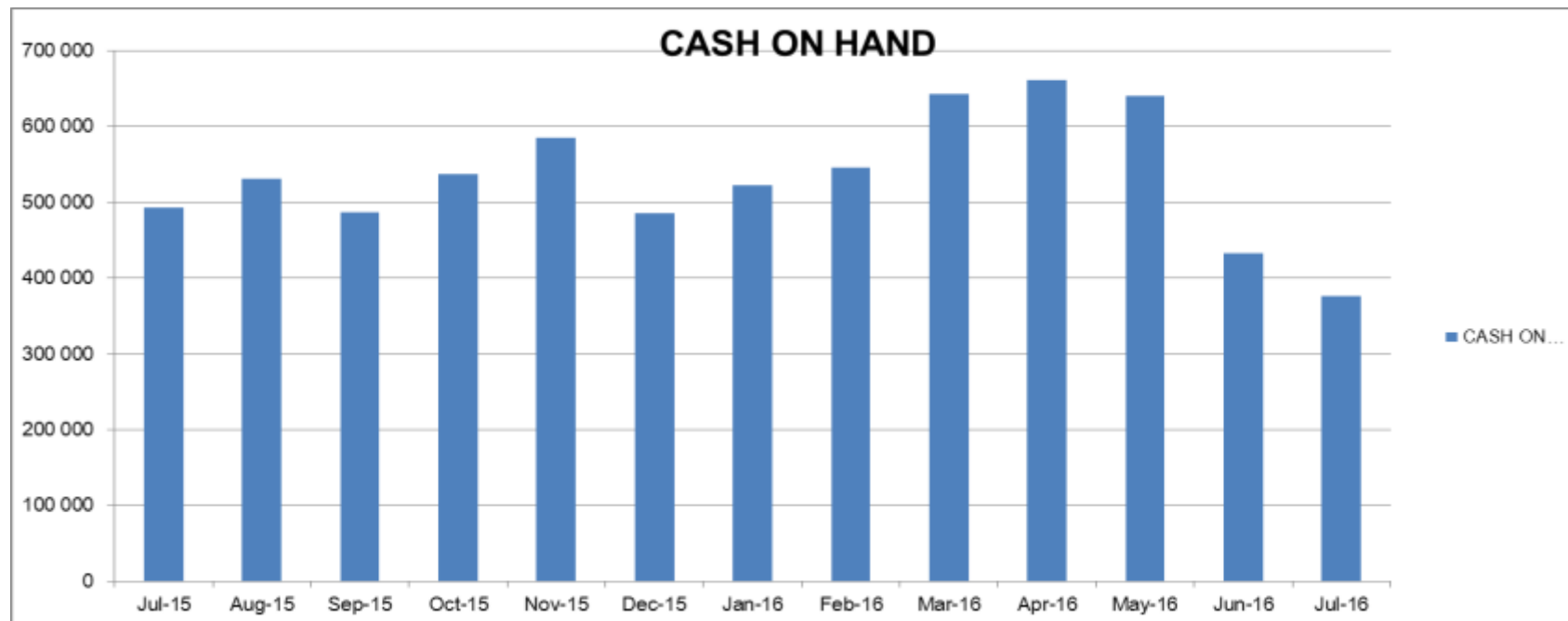
The calculation for the above ratio is as follows: $[(75\,903 - 22\,427) + 300\,000] / (2\,629\,336 - 252\,372 - 6\,950) / 12]$ which currently sits at 1.79:1.

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 July 2015

Table:

	Jul-15	Aug-15	Sept-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	June-16	July-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
Cash on Hand	493 345	531 182	486 628	537 500	585 547	485 395	521 772	545 885	643 000	660 924	639 902	432 557	375 903



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

3.4 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2016	TOTAL TO BE RECEIVED AS AT 30/06/2017	AMOUNT RECEIVED AS AT 31/07/2016	ACTUAL EXPENDITURE AS AT 31/07/2016	% SPENT	COMMENTS
NATIONAL TREASURY						
Equitable Share	40 281 000	259 854 000	40 281 000	21 654 500	54%	
Municipal Infrastructure Grant	-	99 817 000	-	11 228 914	0%	This expenditure is as per claims submitted to COGTA.
Financial Management Grant	-	2 537 000	-	50 521	0%	
Municipal Water Infrastructure Grant	-	50 921 000	-	-	0%	
Extended Public Works Programme	-	5 061 000	-	340 954	0%	
Infrastructure Skills Development Grant	-	6 500 000	-	201 998	0%	The 2015/2016 grant was over-spent by R967 267.76 This expenditure will be recovered from the 2016/2017 allocation.
Municipal Demarcation Grant	1 943 000	6 314 000	-	-	0%	This grant is for the dis-establishment of Ntambanana Municipality. It is due to be received from CoGTA.
TOTAL NATIONAL TREASURY GRANTS	42 224 000	431 004 000	40 281 000	33 476 887	83%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2016	TOTAL TO BE RECEIVED AS AT 30/06/2017	AMOUNT RECEIVED AS AT 31/07/2016	ACTUAL EXPENDITURE AS AT 31/07/2016	% SPENT	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	6 947 000	6 947 000	-	1 494 000	0%	Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	1 253 000	1 253 000	-	79 132	0%	Expenditure shown is the total operating cost of the Cybercadets for the period.
Housing Operating Account	-	-	-	841 123	0%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	175 000	175 000	-	139 000	0%	Expenditure shown is the total operating cost of the Museum.
TOTAL PROVINCIAL TREASURY GRANTS	8 375 000	8 375 000	-	2 553 255	0%	
TOTAL GRANTS AND SUBSIDIES	50 599 000	439 379 000	40 281 000	36 030 142	89%	

3.5 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 July 2016:

FUNCTION	ADOPTED BUDGET 2016/2017	ACTUAL JULY 2016 (YTD)	% OF BUDGET SPENT
	R	R	%
Community and Social Services	13 000 000	-	0.00%
Corporate Services	43 000 000	4 651 340	10.82%
Electricity and Gas	128 900 000	-	0.00%
Planning and Development	7 000 000	-	0.00%
Public Safety	-	-	0.00%
Road Transport	111 107 500	-	0.00%
Sport and Recreation	25 723 900	-	0.00%
Waste Management	3 500 000	-	0.00%
Waste Water Management	44 122 400	-	0.00%
Water	103 043 300	-	0.00%
	479 397 100	4 651 340	0.97%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2016/2017	ACTUAL JULY 2016 (YTD)	% OF BUDGET SPENT
	R	R	%
External Financing Fund	200 000 000	4 651 340	2.33%
Capital Replacement Reserve	133 650 000	-	0.00%
MIG	94 826 100	-	0.00%
Government Grants - National	50 921 000	-	0.00%
Government Grants - Provincial	-	-	0.00%
TOTAL	479 397 100	4 651 340	0.97%

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	Description	GL Code	Budget
8/2/1/UMH114-15/16	159953	Supply and Delivery Of 2 X Tractor Loading Backhoe and 1 X Scissors Lift with Trailer	01-Jul-16	R 2,735,440.00	FX005001005	Fleet Management	650_41	2 446 000 (Roll over)
8/2/1/806	160554	Maintenance and Re-Instatement of Private Sidings at Richards Bay and Empangeni	06-Jul-16	R 315,783.73	FX012001004001	Roads - Railway Sidings	234_A4	R 1,010,000.00
8/2/1/UMH152-15/16	160223	The Design, Supply, Erection And Maintenance Of Remote/Third Party Advertising Signs In The Form Of Internally Illuminated Billboards Signs At Three (3) Identified Locations Within The Boundaries Of Umhlathuze Municipality, With An Upset Price Of R3 500 Per Panel	27-Jul-16	R 805,776.00	The tender is Income generating to Council			
8/2/1/UMH 148-15/16	160432	The Design, Supply, Erection, Delivery, Maintainance And Operation Of 200 Illuminated Street Name Signs To Be Erected At Council Owned Road Reserves And Intersections Within The Boundaries Of Umhlathuze Municipality With Double Sided Panels To Be Used For Third Party Commercial Advertising Over A Three (3) Year Period	27-Jul-16	R 598,835.16	The tender is Income generating to Council			

3.7 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
Employee related costs	676,868,500	56,405,708	52,320,497	92.76%
Remuneration of Councillors	26,461,500	2,205,125	1,945,032	88.21%
Debt Impairment	6,950,000	579,167	-	0.00%
Depreciation and asset impairment	252,372,900	21,031,075	21,031,075	100.00%
Finance Charges	80,335,400	6,694,617	6,694,617	100.00%
Bulk Purchases - Electricity	1,008,533,700	84,044,475	108,261,879	128.81%
Bulk Purchases - Water	120,080,800	10,006,733	9,187,874	91.82%
Other Materials	53,843,700	4,486,975	1,157,677	25.80%
Contracted Services	182,758,200	15,229,850	9,066,457	59.53%
Transfers and grants	12,681,100	1,056,758	174,105	16.48%
Other Expenditure	208,450,700	17,370,892	8,788,857	50.60%
TOTAL	2,629,336,500	219,111,375	218,628,070	99.78%

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.

3.8 Revenue per Category

The source of funding for the above comprises the following revenue categories:

REVENUE BY SOURCE	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016 (YTD)	% OF PRO- RATA BUDGET SPENT
Rates	402,140,000	33,511,667	36,824,915	109.89%
Service Charges – Electricity revenue	1,424,840,300	118,736,692	167,952,769	141.45%
Service Charges – Water revenue	265,520,000	22,126,667	19,246,239	86.98%
Service Charges – Sanitation revenue	71,020,000	5,918,333	6,377,747	107.76%
Service Charges – Refuse revenue	86,820,000	7,235,000	6,597,817	91.19%
Rental of facilities and equipment	12,099,300	1,008,275	1,397,764	138.63%
Interest earned – external investments	29,000,000	2,416,667	1,558,348	64.48%
Interest earned – outstanding debtors	100,000	8,333	2,757	33.08%
Fines	3,732,300	311,025	60,176	19.35%
Licences and permits	3,630,500	302,542	236,220	78.08%
Agency services	7,000,000	583,333	384,205	65.86%
Operating Grants and Subsidies	298,236,900	24,853,075	23,900,251	96.17%
Other Revenue	31,697,200	2,641,433	2,922,888	110.66%
TOTAL	2,635,836,500	219,653,042	267,462,096	121.77%

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

3.9 Surplus and Deficit by Service Category

	ADOPTED BUDGET 2016/2017			ACTUAL AS AT 31 JULY 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	168	10,972	(10,804)	12	(1,136)	1,148
Budget and Treasury Office	441,662	5,688	435,974	38,720	(2,082)	40,802
Corporate Services	14,020	120,719	(106,699)	2,939	11,285	(8,346)
Community and Social Services	11,861	46,918	(35,057)	306	3,527	(3,221)
Sport and Recreation	4,131	127,848	(123,717)	348	8,829	(8,481)
Public Safety	4,750	109,674	(104,924)	281	7,073	(6,792)
Housing	1,400	17,168	(15,768)	117	1,179	(1,062)
Health	14	9,202	(9,188)	-	488	(488)
Planning and Development	1,947	49,883	(47,936)	98	3,247	(3,149)
Road Transport	10,502	205,019	(194,517)	615	13,829	(13,214)
Water (Portion of PMU funded by Rates & General Services)	-	-	-	-	-	-
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	16,558	13,750	2,808	-	693	(693)
Total Rates and General Services	507,013	716,841	(209,828)	43,436	46,932	(3,496)
Airport	646	816	(170)	-	667	(667)
Trading Services						
Electricity	1,434,071	1,231,933	202,138	168,924	124,690	44,234
Water	345,645	385,447	(39,802)	26,173	26,803	(630)
Clarified Water	22,200	9,894	12,306	1,785	1,015	770
Sewerage	202,184	174,289	27,895	16,365	12,469	3,896
Refuse Removal	124,080	110,120	13,960	10,780	6,620	4,160
Total Trading Services	2,128,180	1,911,683	216,497	224,027	171,597	52,430
Total Service Category	2,635,839	2,629,340	6,499	267,463	219,196	48,267

NOTES:

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The table above sets out the surplus and deficit for each service category. It is important to note that although the trading services namely Electricity, Water, Sewerage and Refuse Removal are expected to be profitable, only Electricity, Sewer and Refuse services are making surpluses.

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

The main aim of this table is to provide information to departments in order for them to manage their respective services and ensure that revenue and expenditure is in line with budget expectations.

3.10 Debtors Age Analysis

➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	27,751,027	150,426	103,482	3,027,562	31,032,497
Business	231,845,536	5,421,355	5,879,629	73,537,722	316,684,242
Households	49,868,347	3,302,570	3,185,569	61,653,984	118,010,470
Other	3,975,767	486,256	526,189	14,383,553	19,371,765
Total	313,440,677	9,360,607	9,694,869	152,602,821	485,098,974
%	64.61%	1.93%	2.00%	31.46%	

FINANCIAL REPORTING ON INCOME / DEBT

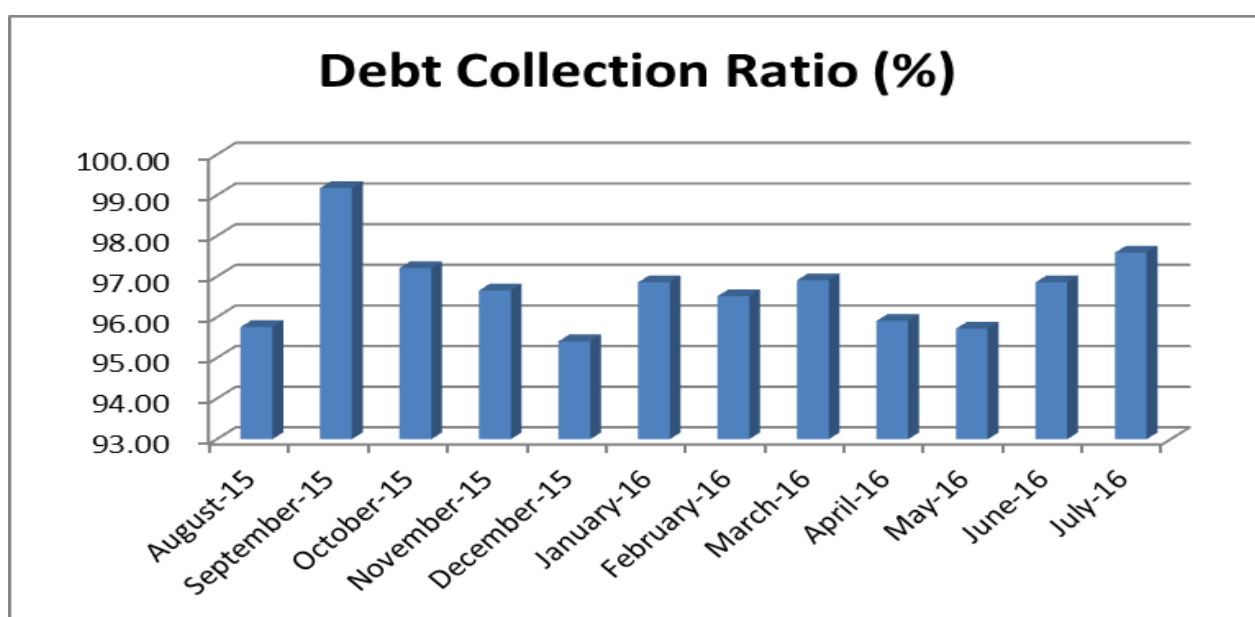
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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	Debt Collection Ratio (%)
July-16	97.59
June-16	96.86
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	95.76



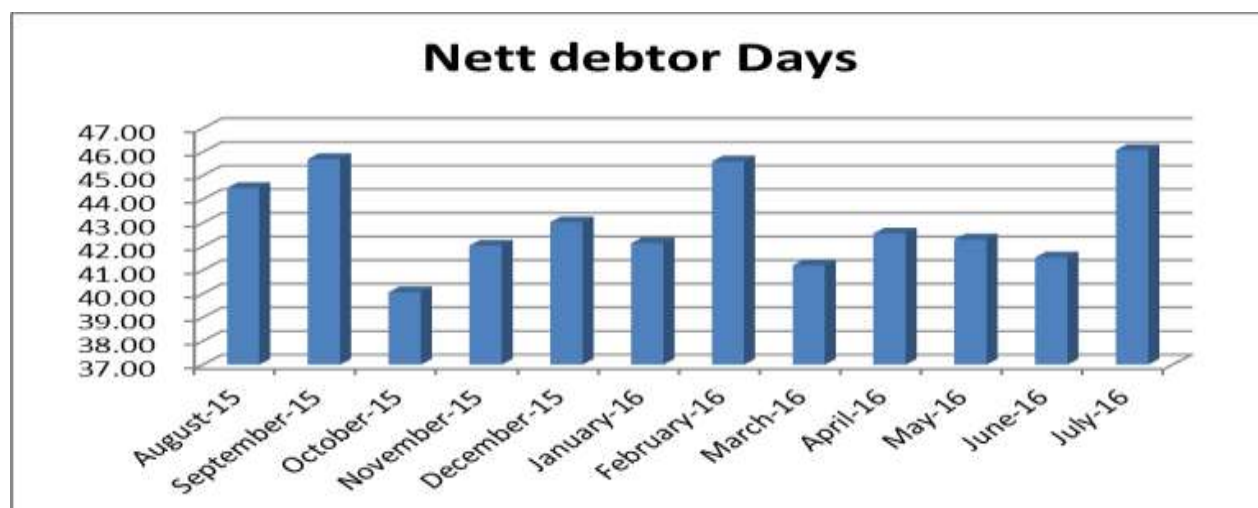
➤ **Net Debtors Days**

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.

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

Month	Net Debtor Days
July-16	46.08
June-16	41.54
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



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

Description	July-16
SMS Notification - General	10,593
SMS Notification - I&TS and Special SMS	-
Final Request - Residential	3,681
Final Request - Business	328
Electricity Disconnection Level 1 (Switch Off Supply)	134
Electricity Disconnection Level 2. Remove Circuit Breaker	3
Illegal Consumption Inspection (Water or Electricity)	1,452
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	598
Water Restriction Level 2. (Install water pressure reducing valve)	10
Water Disconnection (Business accounts)	9
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	199

➤ **Top Ten Business Debts**

The top 10 arrear Accounts			
Acc No	Name	90 days+	Grand Total
		R	R
1441047	TATA STEEL KZN (PTY) LTD	47,671,668.33	56,679,327.75
1854904	BASFOUR 3721 (PTY) LTD	20,967,789.88	20,631,109.88
1929003	ZOTEC DEVELOPMENT(PTY)LTD	4,012,399.67	4,012,399.67
1610626	TISAND (PTY) LTD	3,533,652.62	3,878,570.02
1461195	TATA STEEL KZN (PTY) LTD	1,871,342.99	2,661,593.68
416383	RIVER ROCK INVEST (PTY) LTD	1,696,152.67	1,787,081.35
392020	RIVER ROCK INVEST (PTY) LTD	1,402,470.92	1,430,273.33
2289941	PANDA PETROLEUMS	1,307,155.25	2,079,386.38
1940649	SHIFTING SANDS PROPERTY INVESTMENTS	1,156,924.93	1,078,483.65
1929028	PSE DEVELOPMENT(PTY) LTD	629,098.63	629,098.63
Total		84,248,655.89	94,867,324.34

Government Debt

The top ten (10) Government debtors are as follows:

The top 10 arrear Govt Accounts Accounts are :				
Account	Registered Name	Address	90 Days +	Grand Total
1552325	DEPARTMENT OF PUBLIC WORKS	Stand 16832/0, AGRICULTURAL PROPERTIES	661,823.65	666,335.00
2202725	DEPARTMENT OF LAND AFFAIRS	Stand 15829/0, MKWANAZI NORTH	431,661.61	931,575.41
970111	PROVINCE OF KWAZULU NATAL	Stand 8916/3 Empangeni	377,831.64	377,831.64
1991812	PROVINCE OF KWAZULU NATAL	Stand 8917 Empangeni	361,159.76	433,344.47
1552318	DEPARTMENT OF PUBLIC WORKS	Stand 16802/0, AGRICULTURAL PROPERTIES	213,344.80	250,909.27
1552357	DEPARTMENT OF PUBLIC WORKS	Stand 16833/0, AGRICULTURAL PROPERTIES	163,086.46	191,878.68
2292976	DEPARTMENT OF PUBLIC WORKS	Stand 13661 Mandlazini	136,114.49	240,894.06
315314	DEPARTMENT OF PUBLIC WORKS	Stand 385/0, ESIKHAWINI H	116,955.00	231,990.00
281009	DEPARTMENT OF PUBLIC WORKS	Stand 2062/0, ESIKHAWINI J	99,666.61	108,662.39
2292951	DEPARTMENT OF PUBLIC WORKS	Stand 13645/0, MANDLAZINI VILLAGE	93,656.74	165,752.77
			2,655,300.76	3,599,173.69

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 R 172 212,01 as per **Annexure AB - DMS 1149821**.

Councillor's debt amounts to R 75,03 as per **Annexure AC - DMS 1149821**.

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 exceeded its budgetary limits by 26%.

Below is a table indicating overtime expenditure at the request of Council, which allows for this expenditure to be monitored and managed on a monthly basis:

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	19,382,500	1,615,208	2,231,328	(616,120)	138%
Overtime - Structured	13,735,600	1,144,633	1,280,870	(136,237)	112%
Shift Additional Remuneration	1,927,300	160,608	158,104	2,504	98%
TOTAL	35,045,400	2,920,450	3,670,302	(749,852)	126%

The table below represents the expenditure incurred on overtime for each department for the month of July 2016. The relevant departments have supplied the comments for the over-expenditure incurred on overtime.

DEPARTMENT	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
Community Services	20,442,800	1,703,567	1,565,344	138,223	92%
Corporate Services	513,200	42,767	60,429	(17,662)	141%
Financial Services	181,200	15,100	21,392	(6,292)	142%
Infrastructure and Technical Services	13,904,100	1,158,675	2,023,137	(864,462)	175%
Office of the Municipal Manager	4,100	342	-	342	0%
Total	35,045,400	2,920,450	3,670,302	(749,852)	126%

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 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 1149821).

The following tables sets out the applicable information:

OVERTIME - JULY 2016						
FUNCTION	FUNCTION DESCRIPTION	1.5 OVERTIME	2.0 OVERTIME	TOTAL HOURS	MAXIMUM HOURS ALLOWED PER MONTH	DIFFERENCE
FX001001005001	Buildings Maintenance	37.00	35.00	72.00	60.00	12.00
FX002001001001	Marketing and Customer relations	84.00	76.00	160.00	120.00	40.00
FX002001001004	Electricity and Gas Distribution and Planning	957.00	363.00	1,320.00	1,140.00	180.00
FX002001002	Street Lighting	503.50	222.00	725.50	540.00	185.50
FX012001004002	Roads - Urban Roads	544.00	267.00	811.00	300.00	511.00
FX014001003	Solid Waste Removal	64.00	88.00	152.00	120.00	32.00
FX014001004	Street Cleansing	32.00	40.00	72.00	60.00	12.00
FX015001002002	Sewerage - Pumpstations	118.00	65.00	183.00	180.00	3.00
FX015001002003	Sewerage - Sewerage Network	6,089.50	2,080.00	8,169.50	4,560.00	3,609.50
FX016001001003	Water Treatment - Scientific Services	206.50	85.00	291.50	180.00	111.50
Grand Total		8,635.50	3,321.00	11,956.50	7,260.00	4,696.50

4.3 Volume of Transfers

Type of Transfer of Funds	July 2016	Total Number of Transfers
Capital	1	1
Operating	47	47
Total	48	48

Department	July 2016	Total Value of Transfers
City Development	107,000	107,000
Community Services - Health and Public Safety	6,576,500	6,576,500
Corporate Services	179,500	179,500
Financial Services	57,000	57,000
ITS - Electrical Supply Services	-	-
ITS - Engineering Support Services	150,000	150,000
ITS - Roads and Stormwater	467,300	467,300
ITS - Water and Sanitation Services	2,321,200	2,321,200
Office of The Municipal Manager	10,200	10,200
Total	9,868,700	9,868,700

The table indicated above shows the Virements received by Financial Services in July 2016 from the various departments.

Virements received so early in the financial year indicates bad planning by the respective user departments.

4.4 **Exception reporting - Specific Line items**

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.

	2013/2014		2014/2015		2015/2016			2016/2017	
LINE ITEM	ADJUSTED BUDGET	YEAR ACTUAL	ADJUSTED BUDGET	YEAR ACTUAL	ADJUSTED BUDGET	YEAR ACTUAL	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET	ACTUAL YTD
	R	R	R	R	R	R		R	R
SAFEGUARD AND SECURITY	23 509 200	24 975 304	26 150 300	30 950 032	22 208 800	37 924 078	22 203 300	1 850 275	4 073 880

The spending patterns per department are as follows:

EXPENDITURE DEPARTMENT	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL JULY (YTD)	UNDER/(OVER) EXPENDITURE	% OF PRO-RATA BUDGET OVERSPENT
	R	R	R	R	%
CITY DEVELOPMENT	2 028 600	169 050	316 343	(147 293)	187%
COMMUNITY SERVICES	9 024 100	752 008	1 791 591	(1 039 583)	238%
CORPORATE SERVICES	2 215 700	184 642	460 143	(275 501)	249%
FINANCIAL SERVICES	1 319 200	109 933	209 409	(99 476)	190%
INFRASTRUCTURE AND TECHNICAL SERVICES	7 595 700	632 975	1 296 393	(663 418)	205%
OFFICE OF THE MUNICIPAL MANAGER	20 000	1 667	-	1 667	0%
TOTAL	22 203 300	1 850 275	4 073 879	(2 223 604)	220%

It is apparent from the information contained in the table above that the 2016/17 Approved Budget will not be sufficient. The Department concerned needs to investigate the possible reduction of expenditure.

5. EXCEPTION REPORTING - DEPARTMENTAL

5.1 Community Services, Health and Public Safety and Recreational and Environmental Services

5.1.1 Overtime

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES AND HEALTH											
FX011001005	Fire Fighting and Protection	1,519,300	-	1,534,100	3,053,400	254,450	63,062	-	134,468	197,530	56,920
FX011001007	Police Forces, Traffic and Street Parkin	1,000,000	2,000,000	40,700	3,040,700	253,392	675	243,477	3,347	247,499	5,893
FX005001012	Security Services	175,700	-	199,900	375,600	31,300	14,766	-	-	14,766	16,534
FX012001005	Taxi Ranks	-	139,700	-	139,700	11,642	7,389	-	-	7,389	4,253
FX014001003	Solid Waste Removal	1,500,000	4,581,700	-	6,081,700	506,808	11,760	571,567	-	583,327	(76,519)
FX014001004	Street Cleansing	-	4,911,000	-	4,911,000	409,250	-	366,699	-	366,699	42,551
FX015001001	Public Toilets	193,400	-	-	193,400	16,117	10,856	-	-	10,856	5,261
Total		4,388,400	11,632,400	1,774,700	17,795,500	1,482,958	108,508	1,181,743	137,815	1,428,066	54,892

□ Solid Waste Removal

The over expenditure was limited to refuse removal only, which may be attributed to holiday of the 16 June 2016 in which full team had to work. The section will continue monitoring over expenditure and implement control measures.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL JULY 2016 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES RECREATION											
FX001001003	Cemeteries	140 000	720 000	-	860 000	71 667	59 240	-	-	59 240	12 427
FX001001005002	Halls	-	100 000	-	100 000	8 333	-	-	-	-	8 333
FX013002004001	Sport Development and Sportfields	320 200	63 200	-	383 400	31 950	-	31 396	-	31 396	554
FX013001001	Beaches and Jetties	-	-	-	-	-	-	-	-	-	-
FX013002003003	Recreational Facilities - Swimming Pools	30 400	369 500	-	399 900	33 325	-	30 706	-	30 706	2 619
FX013002003002	Recreational Facilities - Parks Admin	26 200	399 800	-	426 000	35 500	-	-	-	-	35 500
FX013001002	Community Parks (including Nurseries)	100 000	201 700	-	301 700	25 142	-	-	-	-	25 142
Total		616 800	1 854 200	-	2 471 000	205 917	59 240	62 102	-	121 342	84 575

□ **Halls**

In July 2016 and August 2016 the department received a large number of Hall booking as in light of election preparations. The halls were serving as election sites and additional human resources were required to ensure cleanliness of the facilities.

5.2 Corporate Services

5.2.1 Overtime

CORPORATE SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ADMINISTRATION											
FX005001001	Administrative and Corporate Support	225,400	65,000	59,700	350,100	29,175	28,455	-	10,885	39,340	(10,165)
FX005001008	Legal Services	200	-	-	200	17	-	-	-	-	17
FX004001001001	Mayor & Council	57,600	72,900	-	130,500	10,875	-	21,089	-	21,089	(10,214)
FX005001007	Information Technology	-	15,900	-	15,900	1,325	-	-	-	-	1,325
FX001001005003	Municipal Buildings	16,500	-	-	16,500	1,375	-	-	-	-	1,375
Total		299,700	153,800	59,700	513,200	42,767	28,455	21,089	10,885	60,429	(17,662)

□ 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	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
FX005001003002	Revenue and Expenditure	15,600	23,500	-	39,100	3,258	-	-	-	-	3,258
FX005001013	Supply Chain Management	142,100	-	-	142,100	11,842	21,392	-	-	21,392	(9,550)
Total		157,700	23,500	-	181,200	15,100	21,392	-	-	21,392	(6,292)

□ Supply Chain Management

The Supply Chain Management Unit (SCMU) provides support service to various user departments that must ensure that municipal services are provided 24 hours a day.

The Unit personnel are therefore required on rotation basis to be on standby in order to issue breakdown materials after hours to ensure the continuity of service delivery, unfortunately it impossible to budget the exact amount for this unplanned overtime for breakdowns.

The only planned overtime is the issuing of fuel every Saturday and some public holidays. The unit's overtime is inherent to the needs of user departments and it is therefore difficult to ascertain and budget for the number of breakdowns during the year.

5.4 Municipal Manager

5.4.1 Overtime

MUNICIPAL MANAGER											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
FX005001009	Marketing, Customer Relations, Publicity	1,600	-	-	1,600	133	-	-	-	-	133
FX004001002005	Municipal Manager	2,500	-	-	2,500	208	-	-	-	-	208
Total		4,100	-	-	4,100	342	-	-	-	-	342

5.5 Infrastructure and Technical Services

5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ELECTRICAL SUPPLY SERVICES											
FX002001001001	Marketing and Customer relations	27,500	-	-	27,500	2,292	-	-	-	-	2,292
FX002001001003	Process Control Systems	23,200	-	-	23,200	1,933	-	-	-	-	1,933
FX002001001004	Electricity and gas Distribution and Planning	5,206,400	-	-	5,206,400	433,867	532,805	-	-	532,805	(98,938)
FX002001002	Street lighting	217,300	-	-	217,300	18,108	18,837	-	-	18,837	(729)
Total		5,474,400	-	-	5,474,400	456,200	551,642	-	-	551,642	(95,442)

□ Electricity and Gas Distribution and Planning

The overtime over-expenditure for July 2016 was due to long MV fault breakdowns. Please see the list of long duration overtime below:

- 6 July 2016: Leo Substation - Termination failure (termination blew up) - Duration 15 hours
- 7 July 2016: Cygnus Substation - Mini 37A was on fire and caused 2 other process faults - Duration 24 hours
- 17 July 2016: Avior Substation - Transformer faulty - 8 hours
- 18 July 2016: Avior Substation - High Voltage - neutral and one phase corroded off - Duration 6 hours
- 26 July 2016: Satellite Mini substation - Over voltage experienced by customers. Power isolated and fault finding conducted, duration 6 hours
- 27 July 2016: Polaris - Impala Overhead Line - Tower 11 guard wire insulator failed, duration 6 hours

The number of small no power fault only contributed to these long breakdowns.

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ENGINEERING SUPPORT SERVICES											
FX010001007001	Project Management Unit - Administration	3,500	5,300	-	8,800	733	-	-	446	446	287
FX005001005	Fleet Management	518,700	-	-	518,700	43,225	39,862	-	-	39,862	3,363
FX001001005001	Building Maintenance	108,000	-	-	108,000	9,000	789	-	-	789	8,211
Total		630,200	5,300	-	635,500	52,958	40,651	-	446	41,097	11,861

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R		R	R	R	R		R	R
TRANSPORT, ROADS AND STORMWATER											
FX012001004002	Roads - Urban Roads	11,500	-	-	11,500	958	513	-	-	513	445
FX012001004003	Roads - Rural Roads	6,900	10,100	-	17,000	1,417	-	-	-	-	1,417
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-	-	-
Total		18,400	10,100	-	28,500	2,375	513	-	-	513	1,862

NOTES:

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INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADOPTED BUDGET 2016/2017				PRO-RATA BUDGET (YTD)	ACTUAL JULY 2016(YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R		R	R	R	R		R	R
WATER AND SANITATION SERVICES											
FX015001002002	Sewerage - Pumpstations	326,600	-	92,900	419,500	34,958	60,716	-	8,958	69,674	(34,716)
FX015001002003	Sewerage - Sewerage Network	4,688,700	-	-	4,688,700	390,725	669,923	-	-	669,923	(279,198)
FX016001001003	Water Treatment - Scientific Services	22,100	-	-	22,100	1,842	-	-	-	-	1,842
FX016001002001	Water Distribution - Rural Water	1,377,800	-	-	1,377,800	114,817	345,144	-	-	345,144	(230,327)
FX016001002002	Water Distribution - Urban Water	1,257,600	-	-	1,257,600	104,800	345,144	-	-	345,144	(240,344)
Total		7,672,800	-	92,900	7,765,700	647,142	1,420,927	-	8,958	1,429,885	(782,743)

❑ **Sewerage – Pumpstation**

- Empangeni Group pumps and Reservoirs - Reservoir Readings, Cleaning of screens at pump stations and inspections. This is a daily task done by Empangeni Plumbers. Our section assists them alternate weekends including public holidays so that their Staff has a weekend off. Assisted Empangeni Plumbers with grass cutting at Reservoirs.
- Arboretum and Alton Macerator - Shortage of staff at both macerators. Staff is required to work double shifts when other Staffs are off-sick or on leave. The Staff is now working shifts as accordance to municipal structure of 12 hour shifts and shift allowance.
- Blockages, overflows and electrical problems. Personnel are called out after hours at various pump stations.
- Planned overtime implemented 30/1/16. Critical pump stations inspected over weekends (uMhlathuze Village 2, Hillview, Aquadene 1, Veldenvlei Main, Meerensee main, Arboretum Main). This is a temporary arrangement until the problematic pumpstations are upgraded. Please take NOTE the pump stations are near residential areas, this measure is taken to prevent residents from being exposed to sewer and any contamination that could be caused by an overflow.

❑ **Sewerage – Sewerage Network**

Over-expenditure on overtimes is due to the blockages, pipe breaks experienced on the sewer infrastructure. Although Weekly jetting and maintenance is conducted on the sewage network system, the maintenance plan Schedule is often disturbed by the prevailing emergency works requiring immediate attention. Bellow, are several factors influencing the increasing number of sewer network system disturbances thus increasing expenditure for month July:

- **Old Sewerage infrastructure** - The sewer network system's inability to withstand the increasing demand and capacity of waste water/material disposed by consumers.
- **Dumping of not so suitable objects** - The dumping of tin, pieces of wood, plastics by various individuals either from households or on open sewer manhole (open due to vandalism).
- **Recent heavy Rains** - The inflow of pieces of wood, tin, plastic with rain water on open sewer manholes.
- **Sewer connections (Existing/Illegal Sewer connections)** - This is where home/ house upgrades/ extensions take place and the connections are constructed and connected to the municipal sewer system following unsuitable construction procedure which later cause problems.

□ **Water Distribution – Rural Water**

Over-expenditure on overtime is due to the pipe burst, pipe burst experienced on the water infrastructure. Although weekly repairs and maintenance planned material is conducted on the water pipe repairs system, the maintenance plan schedule is often disturbed by the burst pipe emergency works requiring immediate attention. Below, are several factors influencing the increasing number of Water Distribution disturbances thus increasing expenditure for month July:

- **Ageing of our main supply pipes** - Mainline pipes are too old, resulting in many pipe leaks.
- **No water in a various areas** - Most areas in rural areas are supplied by water tankers, due to water crisis at eNseleni our water tankers deliver water over long periods of time.
- **Illegal water connections** - Improper connections done by community members to municipality mainline pipes, which later causes problems.

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

The following monthly budget statement tables **(DMS 1149004)** 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 July 2016.

8. CREDITORS ANALYSIS

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

9. INVESTMENT PORTFOLIO ANALYSIS

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

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 July 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 1151361 (Annexure AE)**.

ENVIRONMENTAL IMPLICATIONS

- Table SC13c - Monthly repairs and maintenance expenditure by asset class 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.

DISCUSSION BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 4 OCTOBER 2016

Concern was expressed regarding the illegal water connections which have been going on for long periods of time. The Administration was urged to devise a working strategy in order to curb the illegal connections. The amount incurred due to overtime worked by employees was reiterated. A question was raised regarding overtime in relation to Plumbers whether there are adequate staff personnel to work on weekends. The Acting Deputy Municipal Manager: Infrastructure and Technical Services stated that the Department is presently reviewing the shift rosters as well as undertaking to create new positions. The Acting Chief Financial Officer indicated that there are measures explored to monitor and control the overtime issue.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 31 July 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 1149004)** 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 be requested to condone the overtime hours worked above the maximum allowed hours of 15 per week under point 4.2 of the report.