

11076

FINANCIAL REPORTING AS AT 31 AUGUST 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 August 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 August 2016 is included under **Annexures Z and AA (DMS 1154157)**.

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 - AUGUST 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 August 2016, and the performance of the Municipality against its budget is in line with the budget that was approved by council in May 2016. 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 August 2016 (year to date actual), shows a surplus of R77,4 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 only in the first quarter of the financial year and capital expenditure is low at R10,7 million (2.24%). 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 2,20:1 (434 872/197 501). 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 2,24% as at August 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; and
 - 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; and
 - 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; and
 - 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 finalised. 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 August 2016:

DESCRIPTION	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)	% OF PRO-RATA BUDGET SPENT
		R	R	%
Revenue (excluding capital grants)	2 635 836 500	439 306 083	527 278 237	120.03%
Expenditure	2 629 336 500	438 222 750	449 816 275	102.65%
	6 500 000	1 083 333	77 461 962	

As can be seen from the table above, Actual Surplus for the month ended 31 August 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 higher than the budget limit.

3.3 Cash Flow Situation

Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 31 AUGUST 2016	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 AUGUST 2016
	R	R	R	R
Conditional Grants	1 433 403	1 433 403	1 433 403	-
Workings Capital	434 871 597	197 501 133	395 002 266	39 869 331
Total (incl. investments)	436 305 000	198 934 536	396 435 669	39 869 331

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2,20: 1 (434 871/197 501).

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.**

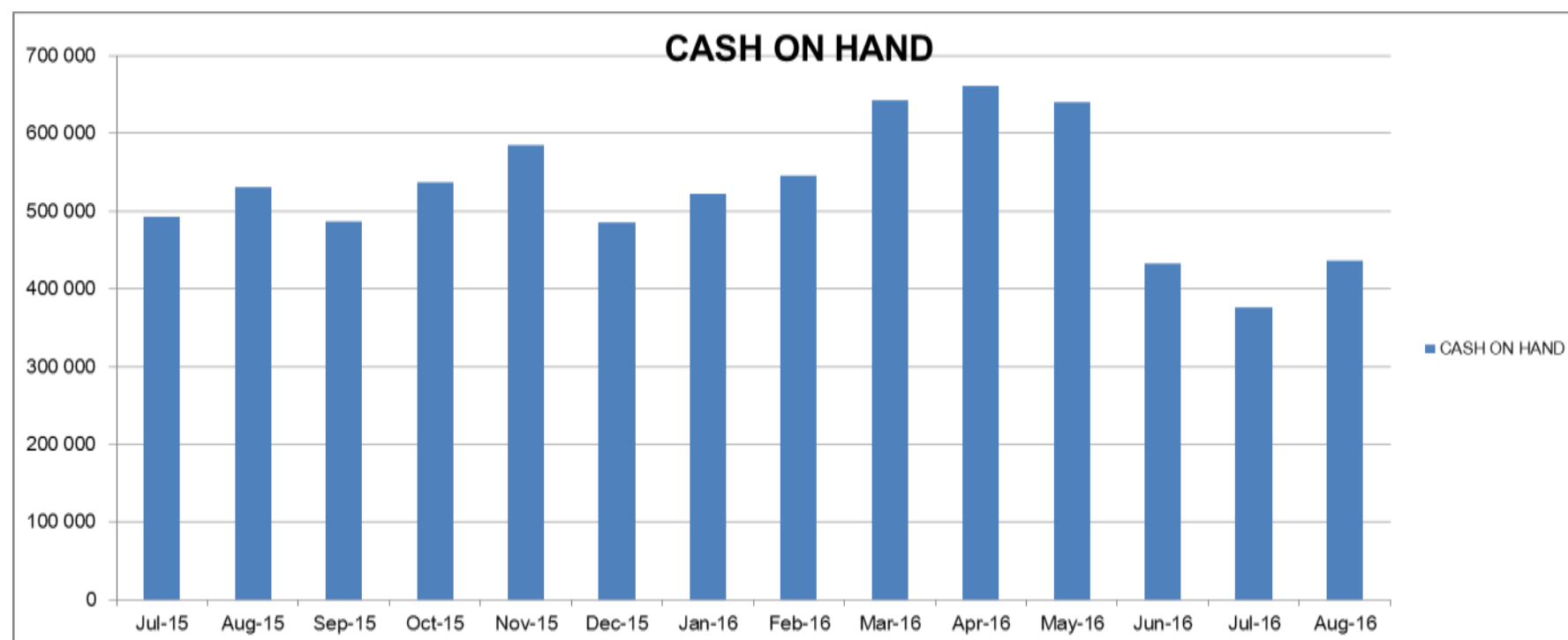
The calculation for the above ratio is as follows: $[(196\ 305 - 1\ 433) + 240\ 000] / (2\ 629\ 336 - 252\ 372 - 6\ 950) / 12]$ which currently sits at 2,20:1.

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	Aug-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
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	436 305



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. The liquidity ratios have 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	AMOUNT GAZETTED FOR AUGUST 2016	TOTAL TO BE RECEIVED AS AT 30/06/2017	AMOUNT RECEIVED AS AT 31/08/2016	ACTUAL EXPENDITURE AS AT 31/08/2016	% SPENT	COMMENTS
NATIONAL TREASURY							
Equitable Share	40 281 000	65 872 000	263 487 000	106 153 000	43 914 500	17%	
Municipal Infrastructure Grant	-	28 907 000	99 817 000	-	14 291 835	14%	This expenditure is as per claims submitted to COGTA.
Financial Management Grant	-	2 537 000	2 537 000	2 537 000	141 612	6%	Spending is in accordance with the cash flow submitted to National Treasury for the grant
Municipal Water Infrastructure Grant	-	-	50 921 000	-	-	0%	No expenditure has been incurred ot date
Extended Public Works Pogramme	-	1 265 000	5 061 000	-	604 213	12%	No funds received to date from National treasury
Infrastructure Skills Development Grant	-	-	6 500 000	-	608 837	9%	The 2015/2016 grant was over-spent by R967 267.76 This expenditure will recovered from the 2016/2017 allocation.
Municipal Demarcation Grant	1 943 000	1 457 000	7 286 000	1 943 000	-	0%	This grant is for the dis-establishment of Ntambanana Municipality.
TOTAL NATIONAL TREASURY GRANTS	42 224 000	100 038 000	435 609 000	110 633 000	59 560 997	14%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2016	AMOUNT GAZETTED FOR AUGUST 2016	TOTAL TO BE RECEIVED AS AT 30/06/2017	AMOUNT RECEIVED AS AT 31/08/2016	ACTUAL EXPENDITURE AS AT 31/08/2016	% SPENT	COMMENTS
PROVINCIAL TREASURY							
Provincialisation of Libraries	6 947 000	-	6 947 000	-	1 493 856	22%	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	6%	Expenditure shown is the total operating cost of the Cybercadets for the period.
Housing Operating Account	-	-	-	-	1 692 997	0%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	175 000	-	175 000	-	138 696	79%	Expenditure shown is the total operating cost of the Museum.
TOTAL PROVINCIAL TREASURY GRANTS	8 375 000	-	8 375 000	-	3 404 681	41%	
TOTAL GRANTS AND SUBSIDIES	50 599 000	100 038 000	443 984 000	110 633 000	62 965 678	14%	

3.5 Capital Budget Summary

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

FUNCTION	ADOPTED BUDGET 2016/2017	ROLL OVERS	PROPOSED ADJUSTMENT BUDGET 2016/2017	ACTUAL AUGUST 2016 (YTD)	% OF BUDGET SPENT	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	R	%	%
Community and Social Services	13 000 000	3 364 300	16 364 300	636 433	4.90%	3.89%
Corporate Services	43 000 000	3 359 500	46 359 500	9 093 705	21.15%	19.62%
Electricity and Gas	128 900 000	4 547 100	133 447 100	-	0.00%	0.00%
Environmental Protection	-	327 900	327 900	-	0.00%	0.00%
Planning and Development	7 000 000	450 000	7 450 000	-	0.00%	0.00%
Public Safety	-	6 994 900	6 994 900	-	0.00%	0.00%
Road Transport	111 107 500	4 720 300	115 827 800	832 793	0.75%	0.72%
Sport and Recreation	25 723 900	7 243 200	32 967 100	-	0.00%	0.00%
Waste Management	3 500 000	-	3 500 000	-	0.00%	0.00%
Waste Water Management	44 122 400	3 050 600	47 173 000	(408 765)	-0.93%	-0.87%
Water	103 043 300	1 077 300	104 120 600	565 877	0.55%	0.54%
	479 397 100	35 135 100	514 532 200	10 720 043	2.24%	2.08%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2016/2017	ROLL OVERS	PROPOSED ADJUSTMENT BUDGET 2016/2017	ACTUAL AUGUST 2016 (YTD)	% OF BUDGET SPENT	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	R	%	%
External Financing Fund	200 000 000	18 458 600	218 458 600	(1 379 755)	-0.69%	-0.63%
Capital Replacement Reserve	133 650 000	16 676 500	150 326 500	1 657 473	1.24%	1.10%
MIG	94 826 100	-	94 826 100	10 442 325	11.01%	11.01%
Government Grants - National	50 921 000	-	50 921 000	-	0.00%	0.00%
Government Grants - Provincial	-	-	-	-	0.00%	0.00%
TOTAL	479 397 100	35 135 100	514 532 200	10 720 043	2.24%	2.08%

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

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Function	Description	GL Code	Budget 2016/2017
8/2/1/UMH153 - 15/16	160899	Construction Of Fence Wall At eSikhaleni Finance Office - Library Office	24-Aug-16	R 1 480 597.80	FX001001005003	Satellite Offices Refurbishment	532_190	R -
8/2/1/UMH63 - 15/16	161000	Design, Supply, Delivery, Maintenance and Operation of twenty eight (28) Static Billboards at sites in Esikhaleni, Empangeni, eNseleni, And Ngwelezane to be erected on Council owned verges and road reserves within the boundaries of uMhlathuze Municipality with double and single sided panels to be used for third party commercial advertising for a period of three years.	26-Aug-16	R 1 439 117.28	information not provided on report			R -

3.7 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL AUG 2016 (YTD)	% OF PRO-RATA BUDGET SPENT
Employee related costs	676 868 500	112 811 417	104 695 205	92.81%
Remuneration of Councillors	26 461 500	4 410 250	3 782 169	85.76%
Debt Impairment	6 950 000	1 158 333	-	0.00%
Depreciation and asset impairment	252 372 900	42 062 150	42 062 150	100.00%
Finance Charges	80 335 400	13 389 233	13 389 233	100.00%
Bulk Purchases - Electricity	1 008 533 700	168 088 950	214 728 748	127.75%
Bulk Purchases - Water	120 080 800	20 013 467	18 437 142	92.12%
Other Materials	53 843 700	8 973 950	4 314 786	48.08%
Contracted Services	182 758 200	30 459 700	22 700 940	74.53%
Transfers and grants	12 681 100	2 113 517	1 704 684	80.66%
Other Expenditure	208 450 700	34 741 783	24 001 218	69.08%
TOTAL	2 629 336 500	438 222 750	449 816 275	102.65%

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 AUG 2016 (YTD)	% OF PRO-RATA BUDGET SPENT
Rates	402 140 000	67 023 333	69 876 373	104.26%
Service Charges – Electricity revenue	1 424 840 300	237 473 383	325 397 096	137.02%
Service Charges – Water revenue	265 520 000	44 253 333	47 389 396	107.09%
Service Charges – Sanitation revenue	86 820 000	14 470 000	14 276 724	98.66%
Service Charges – Refuse revenue	71 020 000	11 836 667	12 259 833	103.58%
Rental of facilities and equipment	12 099 300	2 016 550	2 359 959	117.03%
Interest earned – external investments	29 000 000	4 833 333	4 461 675	92.31%
Interest earned – outstanding debtors	100 000	16 667	4 678	28.07%
Fines	3 732 300	622 050	310 191	49.87%
Licences and permits	3 630 500	605 083	544 329	89.96%
Agency services	7 000 000	1 166 667	879 179	75.36%
Operating Grants and Subsidies	298 236 900	49 706 150	44 718 216	89.97%
Other Revenue	31 697 200	5 282 867	4 800 588	90.87%
TOTAL	2 635 836 500	439 306 083	527 278 237	120.03%

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

3.9 Surplus and Deficit by Service Category

	ADOPTED BUDGET 2016/2017			ACTUAL AS AT 31 AUGUST 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)	25	(1 624)	1 649
Budget and Treasury Office	441 662	5 688	435 974	74 981	(1 630)	76 611
Corporate Services	14 020	120 719	(106 699)	1 323	11 466	(10 143)
Community and Social Services	11 861	46 918	(35 057)	666	8 855	(8 189)
Sport and Recreation	4 131	127 848	(123 717)	695	18 710	(18 015)
Public Safety	4 750	109 674	(104 924)	600	16 998	(16 398)
Housing	1 400	17 168	(15 768)	365	2 379	(2 014)
Health	14	9 202	(9 188)	-	1 164	(1 164)
Planning and Development	1 947	49 883	(47 936)	189	6 808	(6 619)
Road Transport	10 502	205 019	(194 517)	1 407	29 822	(28 415)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	16 558	13 750	2 808	543	1 553	(1 010)
Total Rates and General Services	507 013	716 841	(209 828)	80 794	94 501	(13 707)
Airport	646	646	646	646	646	646
Trading Services						
Electricity	1 434 071	1 231 933	202 138	327 263	250 437	76 826
Water	345 645	385 447	(39 802)	62 141	59 331	2 810
Clarified Water	22 200	9 894	12 306	2 517	2 233	284
Sewerage	202 184	174 289	27 895	33 485	24 949	8 536
Refuse Removal	124 080	110 120	13 960	21 078	18 278	2 800
Total Trading Services	2 128 180	1 911 683	216 497	446 484	355 228	91 256
Total Service Category	2 635 839	2 629 170	7 315	527 924	450 375	78 195

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, Sewerage 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	29 911 782	-30 507	129 731	3 131 820	33 142 826
Business	243 227 870	12 407 696	3 767 924	78 763 301	338 166 791
Households	52 401 368	5 075 878	3 025 935	63 774 273	124 277 454
Other	3 890 419	1 067 903	449 542	14 703 200	20 111 064
Total	329 431 439	18 520 970	7 373 132	160 372 594	515 698 135
%	63.88%	3.59%	1.43%	31.10%	

FINANCIAL REPORTING ON INCOME / DEBT

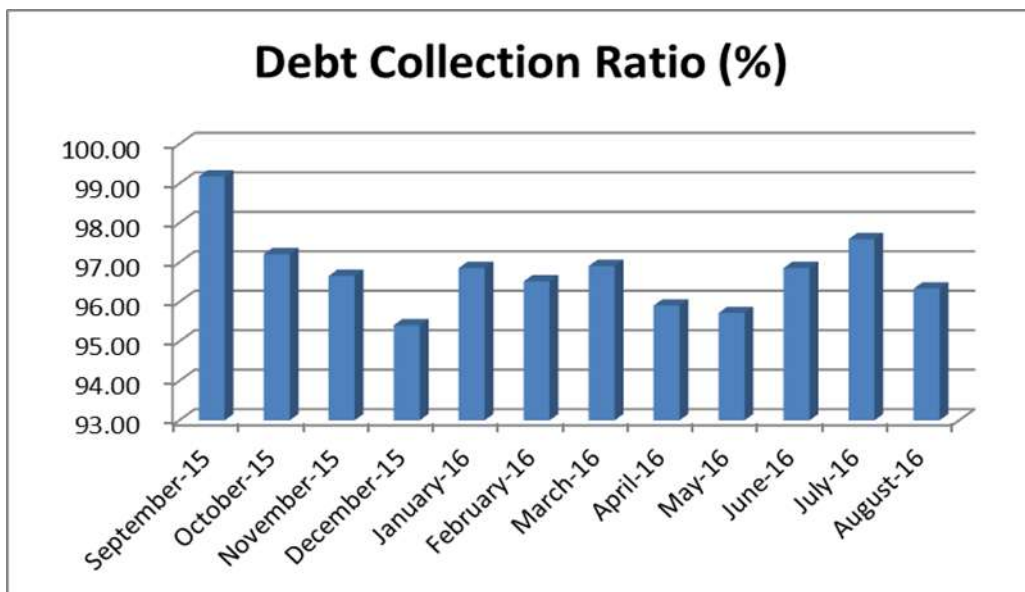
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 (%)
August-16	96.34
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**

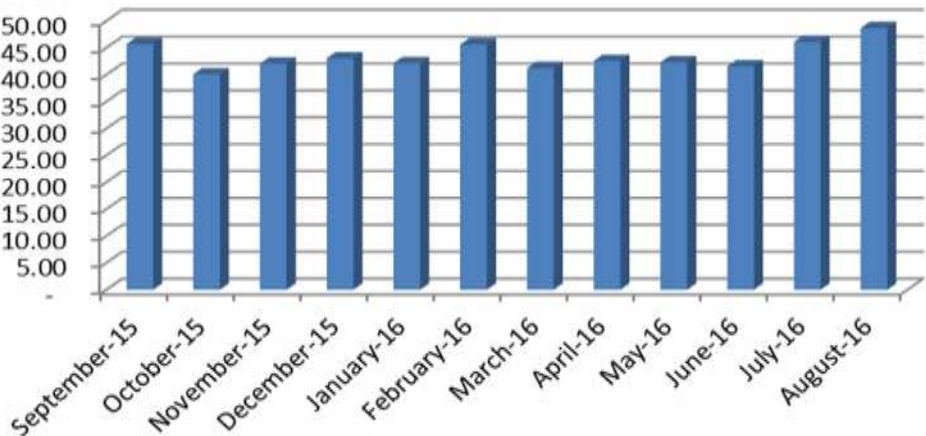
This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.

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.

<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	Net Debtor Days
August-16	48.65
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

Nett debtor Days



Summary of Credit Control Technical Actions Performed during August 2016

Description	August-16
SMS Notification - General	8 333
SMS Notification - I&TS and Special SMS	-
Final Request - Residential	3 220
Final Request - Business	245
Electricity Disconnection Level 1 (Switch Off Supply)	93
Electricity Disconnection Level 2. Remove Circuit Breaker	2
Illegal Consumption Inspection (Water or Electricity)	2 051
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	529
Water Restriction Level 2. (Install water pressure reducing valve)	24
Water Disconnection (Business accounts)	5
Finals (New consumers, moving in or out, readings taken, disconnected / reconnected)	184

➤ **Top Ten Business Debts**

The top 10 arrear Accounts			
Acc No	Name	90 days+	Grand Total
		R	R
1441047	TATA STEEL KZN (PTY) LTD	49 910 823.55	59 176 426.86
1854904	BASFOUR 3721 (PTY) LTD	13 791 109.88	20 631 109.88
1929003	ZOTEC DEVELOPMENT(PTY)LTD	4 012 360.05	4 012 360.05
1610626	TISAND (PTY) LTD	3 613 591.40	3 969 194.57
1461195	TATA STEEL KZN (PTY) LTD	2 056 885.58	2 870 116.93
416383	RIVER ROCK INVEST (PTY) LTD	1 559 320.18	1 781 278.18
2289941	PANDA PETROLEUMS	1 494 107.99	2 278 143.39
1940649	SHIFTING SANDS PROPERTY INVESTMENTS	941 419.44	1 032 958.22
392020	RIVER ROCK INVEST (PTY) LTD	635 966.94	1 506 770.15
1929028	PSE DEVELOPMENT(PTY) LTD	610 328.66	610 328.66
Total		78 625 913.67	97 868 686.89

➤ **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	666 335.00	670 846.35
2202725	DEPARTMENT OF LAND AFFAIRS	Stand 15829/0, MKWANAZI NORTH	931 575.41	935 489.21
970111	PROVINCE OF KWAZULU NATAL	Stand 8916/3 Empangeni	377 831.64	377 831.64
1991812	PROVINCE OF KWAZULU NATAL	Stand 8917 Empangeni	433 344.47	434 849.18
1552318	DEPARTMENT OF PUBLIC WORKS	Stand 16802/0, AGRICULTURAL PROPERTIES	250 909.27	252 473.74
1552357	DEPARTMENT OF PUBLIC WORKS	Stand 16833/0, AGRICULTURAL PROPERTIES	191 878.68	193 070.90
2292976	DEPARTMENT OF PUBLIC WORKS	Stand 13661 Mandlazini	240 894.06	242 123.63
315314	DEPARTMENT OF PUBLIC WORKS	Stand 385/0, ESIKHAWINI H	231 990.00	233 025.00
281009	DEPARTMENT OF PUBLIC WORKS	Stand 2062/0, ESIKHAWINI J	108 662.39	109 108.17
2292951	DEPARTMENT OF PUBLIC WORKS	Stand 13645/0, MANDLAZINI VILLAGE	165 752.77	166 598.80
			3 599 173.69	3 615 416.62

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 167 074,26 as per **Annexure AB - DMS 1154157**.

Councillor's debt amounts to R 22 383,22 as per **Annexure AC - DMS 1154157**.

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 27%.

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	PROPOSED ADJUSTED BUDGET 2016/2017	PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUG 2016 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA PROPOSED ADJUSTED BUDGET SPENT
	R		R	R	R	%
Overtime - Non-structured	23 205 400	19 382 500	3 230 417	4 524 759	(1 294 342)	140%
Overtime - Structured	9 812 700	13 735 600	2 289 267	2 604 345	(315 078)	114%
Shift Additional Remuneration	1 927 300	1 927 300	321 217	277 698	43 519	86%
TOTAL	34 945 400	35 045 400	5 840 900	7 406 802	(1 565 902)	127%

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

DEPARTMENT	PROPOSED ADJUSTED BUDGET 2016/2017	PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUG 2016 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	R	%
Community Services	20 442 800	3 407 133	3 172 020	235 113	93%
Corporate Services	513 200	85 533	135 100	(49 567)	158%
Financial Services	181 200	30 200	36 098	(5 898)	120%
Infrastructure and Technical Services	13 904 100	2 317 350	4 063 584	(1 746 234)	175%
Office of the Municipal Manager	4 100	683	-	683	0%
Total	35 045 400	5 840 900	7 406 802	(1 565 902)	127%

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 August 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 table sets out the applicable information:

OVERTIME - AUGUST 2016					
FUNCTION	FUNCTION DESCRIPTION	NORMAL OVERTIME		MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE
		2.0 OT	TOTAL HRS		
FX001001005001	Buildings Maintenance Total	44.00	152.00	150.00	2.00
FX002001001001	Marketing and Customer relations Total	27.00	89.50	75.00	14.50
FX002001001004	Electricity and Gas Distribution and Planning Total	153.00	692.50	600.00	92.50
FX002001002	Street Lighting Total	137.00	672.50	450.00	222.50
FX012001004002	Roads - Urban Roads Total	49.00	216.00	150.00	66.00
FX015001002003	Sewerage - Sewerage Network Total	1 243.00	6 128.50	3 975.00	2 153.50
FX016001001003	Water Treatment - Scientific Services Total	65.50	465.00	375.00	90.00
	Grand Total	1 718.50	8 416.00	5 775.00	2 641.00

4.3 Volume of Transfers

Type of Transfer of Funds	July 2016	August 2016	Total Number of Transfers
Capital	1	-	1
Operating	47	41	88
Total	48	41	89

Department	July 2016	August 2016	Total Value of Transfers
City Development	107 000	2 409 800	2 516 800
Community Services - Health and Public Safety	6 576 500	2 546 000	9 122 500
Corporate Services	179 500	547 600	727 100
Financial Services	57 000	1 842 400	1 899 400
ITS - Electrical Supply Services	-	36 000	36 000
ITS - Engineering Support Services	150 000	8 243 600	8 393 600
ITS - Roads and Stormwater	467 300	2 000	469 300
ITS - Water and Sanitation Services	2 321 200	180 900	2 502 100
Office of The Municipal Manager	10 200	140 000	150 200
Total	9 868 700	15 948 300	25 817 000

The table indicated above shows the Virements received by Financial Services in August 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	3 700 550	7 284 037

The spending patterns per department are as follows:

EXPENDITURE PER DEPARTMENT	ADOPTED BUDGET 2016/2017	PRO-RATA BUDGET (YTD)	ACTUAL (YTD)	UNDER/ (OVER) EXPENDITURE	% OF PRO-RATA BUDGET OVERSPENT
	R	R	R	R	%
CITY DEVELOPMENT	2 028 600	338 100	488 418	(150 318)	144%
COMMUNITY SERVICES	9 024 100	1 504 017	3 240 844	(1 736 827)	215%
CORPORATE SERVICES	2 215 700	369 283	596 013	(226 730)	161%
FINANCIAL SERVICES	1 319 200	219 867	373 369	(153 502)	170%
INFRASTRUCTURE AND TECHNICAL SERVICES	7 595 700	1 265 950	2 585 393	(1 319 443)	204%
OFFICE OF THE MUNICIPAL MANAGER	20 000	3 333	-	3 333	0%
TOTAL	22 203 300	3 700 550	7 284 037	(3 583 487)	197%

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	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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 AND HEALTH											
FX011001005	Fire Fighting and Protection	1 519 300	-	1 534 100	3 053 400	508 900	160 107		219 026	379 133	129 767
FX011001007	Police Forces, Traffic and Street Parking Co	1 000 000	2 000 000	40 700	3 040 700	506 783	6 093	565 640	6 509	578 242	(71 459)
FX005001012	Security Services	175 700	-	199 900	375 600	62 600	19 692		13 257	32 949	29 651
FX012001005	Taxi Ranks	-	139 700	-	139 700	23 283	16 009	-	-	16 009	7 274
FX014001003	Solid Waste Removal	1 500 000	4 581 700	-	6 081 700	1 013 617	20 400	1 082 858	-	1 103 258	(89 641)
FX014001004	Street Cleansing	-	4 911 000	-	4 911 000	818 500	-	700 948	-	700 948	117 552
FX015001001	Public Toilets	193 400	-	-	193 400	32 233	29 793	-	-	29 793	2 440
Total		4 388 400	11 632 400	1 774 700	17 795 500	2 965 917	252 094	2 349 446	238 792	2 840 332	125 585

☐ Police Forces, Traffic and Street Parking Control

The period concerned included dates on which traffic officers and traffic wardens had to work extended hours due to operational requirements owing to lengthy events that required traffic policing to continue. During these dates including the Provincial Government Elections (3 August 2016), the officers could not leave the workplace at the end of normal shift hours as the traffic services provided had to continue uninterrupted in order to ensure traffic and parking control, free flow of traffic and road safety.

☐ Solid Waste Removal

The over expenditure was limited to refuse removal only as there are customers who pay for 7 days service, such as hospitals and food premises, etc. Furthermore, there were 5 weekends and this may have contributed to the increased expenditure. The section has also removed some staff members at supervisory level from overtime and standby and will continue to monitor expenditure and service.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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 RECRATION											
FX001001003	Cemeteries	140 000	720 000	-	860 000	143 333	132 945	-	-	132 945	10 388
FX001001005002	Halls	120 000	56 300	-	176 300	29 383	-	36 074	-	36 074	(6 691)
FX001001008	Museums And Art Galleries	-	100 000	-	100 000	16 667	-	-	-	-	16 667
FX013002004001	Sport Development and Sportfields	320 200	63 200	-	383 400	63 900	-	75 635	-	75 635	(11 735)
FX013001001	Beaches and Jetties	30 400	369 500	-	399 900	66 650	-	74 817	-	74 817	(8 167)
FX013002003003	Recreational Facilities - Swimming Pools	26 200	399 800	-	426 000	71 000	-	-	-	-	71 000
FX013002003002	Recreational Facilities - Parks Admin	-	-	-	-	-	-	-	-	-	-
FX013001002	Community Parks (including Nurseries)	100 000	201 700	-	301 700	50 283	-	12 216	-	12 216	38 067
Total		736 800	1 910 500	-	2 647 300	441 217	132 945	198 742	-	331 687	109 530

❑ **Halls**

In July and August 2016, the department received a large number of Hall bookings 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.

❑ **Sport Development and Sportfields**

No comments provided by user department.

❑ **Beaches and Jetties**

The warm weather experienced during this period resulted in public flocking to the beaches. Due to the facilities being available 7 days a week, including the recent public holiday, resulted in the increased overtime expenditure. The continuous maintaining of the Blue Flag Status criteria also requires that staff be present 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 financial year the overtime budget is reduced as expenditure far exceeds the available revenue while the demand for overtime is increasing due to the increase in visitors utilising the beach area during weekends and public holidays.

5.2 **Corporate Services**

5.2.1 **Overtime**

CORPORATE SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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
ADMINISTRATION											
FX005001001	Administrative and Corporate Support	225 400	65 000	59 700	350 100	58 350	56 411	-	23 180	79 591	(21 241)
FX005001008	Legal Services	200	-	-	200	33	-	-	-	-	33
FX004001001001	Mayor & Council	57 600	72 900	-	130 500	21 750	-	55 509	-	55 509	(33 759)
FX005001007	Information Technology	-	15 900	-	15 900	2 650	-	-	-	-	2 650
FX001001005003	Municipal Buildings	16 500	-	-	16 500	2 750	-	-	-	-	2 750
Total		299 700	153 800	59 700	513 200	85 533	56 411	55 509	23 180	135 100	(49 567)

❑ **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 hours.

5.3 Financial Services

5.3.1 Overtime

FINANCIAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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
FX005001003002	Revenue and Expenditure	15 600	23 500	-	39 100	6 517	1 251	-	-	1 251	5 266
FX005001013	Supply Chain Management	142 100	-	-	142 100	23 683	34 199	648	-	34 847	(11 164)
Total		157 700	23 500	-	181 200	30 200	35 450	648	-	36 098	(5 898)

□ 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	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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
FX005001009	Marketing, Customer Relations, Publicity	1 600	-	-	1 600	267	-	-	-	-	267
FX004001002005	Municipal Manager	2 500	-	-	2 500	417	-	-	-	-	417
Total		4 100	-	-	4 100	683	-	-	-	-	683

5.5 Infrastructure and Technical Services

5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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
ELECTRICAL SUPPLY SERVICES											
FX002001001001	Marketing and Customer relations	27 500	-	-	27 500	4 583	-	-	-	-	4 583
FX002001001003	Process Control Systems	23 200	-	-	23 200	3 867	-	-	-	-	3 867
FX002001001004	Electricity and gas Distribution and Planning	5 206 400	-	-	5 206 400	867 733	1 078 164	-	-	1 078 164	(210 431)
FX002001002	Street lighting	217 300	-	-	217 300	36 217	35 604	-	-	35 604	613
Total		5 474 400	-	-	5 474 400	912 400	1 113 768	-	-	1 113 768	(201 368)

□ Electricity and Gas Distribution and Planning

The overtime over-expenditure for August 2016 was due to the list of long duration overtime below:

- 7 August 2016 - Aries Substation - MV Cable fault - Golf Estate - Duration 5 hours
- 12 August 2016 - John Ross Overhead Line - 2 x MV Cable faults and a crutch failure - Duration 48 hours
- 19 August 2016 - Mini Sub 37 eSikhaleni J Section - MV cable fault between mini sub 3 and mini sub 4 - Duration 7 hours
- 23 August 2016 - Mini Substation eSikhaleni J Section - MV cable fault between Mini substation 6 and Cygnus Mini Sub - Duration 12 hours
- 15 August 2016 - Empangeni Main Sub - Durnford substation - Durnford medium voltage bushing and Copper Drive mini substation bushing faulty - Duration 8 hours
- 21 August 2016 - eNseleni Mv Overhead line - Pole damaged by car - Duration 5 hours
- 14 August 2016 - Ngwelezane Main Sub - Mini sub damaged by vehicle - Duration 6 hours

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		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
ENGINEERING SUPPORT SERVICES											
FX010001007001	Project Management Unit - Administration	3 500	5 300	-	8 800	1 467	-	-	446	446	1 021
FX010001007003	Project Management Unit - Extended Public Works Program			-	-	-	3 465	-		3 465	(3 465)
FX005001005	Fleet Management	518 700	-	-	518 700	86 450	101 197	-	-	101 197	(14 747)
FX001001005001	Building Maintenance	108 000	-	-	108 000	18 000	789	-	-	789	17 211
Total		626 700	-	-	626 700	104 450	105 451	-	446	105 897	20

□ **Fleet Management**

The over expenditure can be attributed to the following factors:

- Departments not performing daily inspections of the vehicles/Plant, resulting in after-hours call outs for oil top ups and filling of fuel.
- Tyre failures as a result of punctures and blow outs.
- Fuel bowsers running dry, resulting in fleet required to re-fuel vehicles with the fuel truck.
- Fleet being required to provide stand-by generators, without departments providing a budget against which costs can be reclaimed.
- Excessive age of some of the fleet items, resulting in more frequent break downs.

All overtime is scrutinised by the workshop manager prior to approval.

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		NON- STRUCTURE D	STRUCTURED	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R		R	R	R	R		R	R
TRANSPORT, ROADS AND STORMWATER											
FX012001004002	Roads - Urban Roads	11 500	-	-	11 500	1 917	513	-	-	513	1 404
FX012001004003	Roads - Rural Roads	6 900	10 100	-	17 000	2 833	(484)	-	-	(484)	3 317
FX015001003	Storm Water Management	-	-	-	-	-	-	-	-	-	-
Total		18 400	10 100	-	28 500	4 750	29	-	-	29	4 721

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	PROPOSED ADJUSTED BUDGET 2016/2017				PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL AUGUST 2016 (YTD)				UNDER/ (OVER) EXPENDITUR E
		NON- STRUCTURE D	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	69 917	119 661	-	15 280	134 941	(65 024)
FX015001002003	Sewerage - Sewerage Network	4 688 700	-	-	4 688 700	781 450	1 345 964		-	1 345 964	(564 514)
FX016001001003	Water Treatment - Scientific Services	22 100	-	-	22 100	3 683	6 258	-	-	6 258	(2 575)
FX016001002001	Water Distribution - Rural Water	1 377 800	-	-	1 377 800	229 633	678 365	-	-	678 365	(448 732)
FX016001002002	Water Distribution - Urban Water	1 257 600	-	-	1 257 600	209 600	678 365	-	-	678 365	(468 765)
Total		7 672 800	-	92 900	7 765 700	1 294 283	2 828 613	-	15 280	2 843 893	(1 549 610)

Sewerage – Pumpstation

- Empangeni Group pumps and Reservoirs - Reservoir Readings, cleaning of screens at pumpstations and inspections. This is a daily task done by Empangeni plumbers. Our section provides assistance alternate weekends including public holidays so that their staff has a weekend off. Also provided assistance to the Empangeni plumbers with grass cutting at reservoirs.
- Arboretum and Alton Macerator - Shortage of staff at both macerators. Staff are required to work double shifts when other staff members are off-sick or on leave. The staff are now working shifts in accordance with the municipal structure of 12 hour shifts and shift allowance.
- Blockages, overflows and electrical problems. Personnel are called out after hours at various pumpstations.
- Planned overtime implemented on 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 pumpstations are near residential areas, therefore this measure is taken to prevent residents from being exposed to sewer and any contamination that could be caused by an overflow.

□ Sewerage – Sewerage Network

Due to an increased amount of calls received relating to sewer breakdowns, the cost for sewer network maintenance has increased. Due to the nature and environmental concerns/implications of sewer or waste water the attempts to lower/limit costs is compromised. The factors which have an impact in breakdowns and negatively influence overtime expenditure are:

- **Vegetation** – tree roots have caused blockages and cracks on several sewer lines.
- **Non-sewer/Waste water compounds** – Blockages often occurred due to several items dumped on sewer such as plastic, tin, wood fragments etc.
- **Old sewerage infrastructure** – The sewer network system's inability to withstand the increasing demand and capacity of waste water/material disposed by consumers.

□ Scientific Services

Scientific services does not claim overtime – only claims standby. Overtime expenditure to be re-allocated to Water Distribution in September 2016.

□ 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:

- **Ageing of our main supply pipes** - Mainline pipes are too old, resulting in many pipe leaks.
- **No water in a various areas** - Most 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.

❑ **Water Distribution – Urban Water**

Over-expenditure on overtime is due to shortage of material from mains store and sub stores. The plumber has to drive between Richards Bay, Empangeni and eSikhaleni looking for the material. The aging infrastructure results in an increase in burst pipes.

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1153826**) 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 NUMBER	DESCRIPTION	ANNEXURE
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 August 2016.

8. CREDITORS ANALYSIS

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

9. INVESTMENT PORTFOLIO ANALYSIS

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

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 August 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 1156843 (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.

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

It bears noting that the status of mSCOA project Models such as Budget, Asset Fleet Works Orders/Costing, General Financial Enquiries and Statutory Reporting were not functional by 30 June 2016 as was expected. The Acting Chief Financial Officer indicated that the non-functioning of these models were reported as un-commissioned processes, however, work can still be done. He further proposed that for a comprehensive understanding of status of the mSCOA project, a presentation be prepared for the Financial Services Portfolio Committee.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 31 August 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 1153826**) 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;
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; and
4. a presentation be prepared for the Financial Services Portfolio Committee regarding the mSCOA project.