

**12423**  
**FINANCIAL REPORTING AS AT 30 APRIL 2018**

***This report served before the Financial Services Portfolio Committee on 25 May 2018.  
The recommendations were supported.***

**PURPOSE**

To submit for noting the financial position of the uMhlathuze Municipality as at 30 April 2018, 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 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

**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. The National Treasury issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out.

Furthermore, the 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 format 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 issued the Municipal Regulations on Standard Chart of Accounts 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 the National Treasury.

In terms of Council Resolution 8901 dated 26 November 2013, Council was selected as a Pilot Site for the mSCOA implementation.

**Section 1** of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

*“A detailed plan approved by the Mayor of a municipality in terms of Section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:*

- (a) *Projections for each month of-*
  - (i) *Revenue to be collected, by source; and*
  - (ii) *Operational and capital expenditure, by vote.”*

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of April 2018 is included under **Annexures Z and AA (DMS 1275310)**.

## **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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## PART 1 – IN-YEAR REPORTING

### 1. MAYOR'S REPORT FOR THE MONTH – APRIL 2018

In terms of the Budget Regulations, Part 1 in-year reporting, the Mayor is required to provide a report / comments on:

- “(a) a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;

The Mayor has considered the Section 71 report for the month of April 2018, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in April 2018. A detail of all the points highlighted by the Mayor is included in the report.

#### **Operational Budget**

The monthly budget statement summary (Table C1) for the month of April 2018 (year to date actual), shows a surplus of R6,2 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well. The performance in this area is **Acceptable**.

#### **Capital Budget**

Council is in the fourth quarter of the financial year and capital expenditure is very low at R247 million (43,47%). This is based on the Adjusted Capital Budget of R571 million. Expenditure is expected to rise as the year progresses. The Project steering Committee is monitoring the capital projects to ensure that any issues are resolved promptly. The performance in this area is **NOT Acceptable**. The level of expenditure is supposed to be at least around 83% (R475 million) and administration needs a strategy to expedite expenditure or SCM processes in this regard.

#### **Cash Flow**

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 3,11:1 (641 828/206 251). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Acceptable**.

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

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

1. The collection of outstanding debt remains a challenge 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. Currently there are meetings conducted at Traditional Authority level where the need for payment of services is emphasised. In these meetings Amakhosi are requesting a meeting with the Municipality leadership to discuss the same;

2. Slow capital expenditure remains a challenge with 42,91% as at April 2018. It is therefore requested that administration works hard to improve on last year's expenditure performance of 93%. Council will carry on monitoring the pattern of this expenditure; and
3. Although the Water Services is showing a surplus of R8,6 million, this has been achieved on Level 4 drought tariffs. When these tariffs are normalised as the drought crisis eases, the expenditure will have to be reduced to ensure that the trading service maintains a surplus.

**(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 that the overtime expenditure be managed.

**2. RESOLUTIONS**

Refer to the recommendations contained in this report.

**3. EXECUTIVE SUMMARY**

This section deals with the financial status of the Municipality at executive level and highlights matters that are of particular importance from the Chief Financial Officer's perspective.

**3.1 Status of mSCOA (Municipal Standard Chart of Accounts)**

The status in executive summary form is as follows:

As at the end of February 2018, the business reform required to accommodate mSCOA is moving slowly but surely. In short primary issues relate to changing the financial systems to adapt technically and the administration to change from a Line Item to a planned Project way of thinking and budgeting for municipality in service delivery.

From a National Treasury validation perspective, we do a monthly upload of the financial (and certain non-financial) transactions from the General Ledger, which the National Treasury interrogate for integrity purposes. To date we are 100% correct in terms of financial data meeting the mSCOA formats correctly, except for some errors relating to our non-financial data uploads relating to our IDP and Investments data.

From an internal control perspective we are having challenges with balancing the Trial Balance across the segments of MSCOA, however these differences are immaterial at this stage.

### 3.2 Operating Budget

The following table represents an executive summary for the financial period ended 30 April 2018:

DESCRIPTION	ADJUSTED BUDGET 2017/2018	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (excluding capital grants)	2 966 893 600	2 472 411 333	2 380 835 649	96.30%
<b>Less:</b> Equitable Share received in advance (May 2018 to June 2018)	-	-	(48 668 200)	0.00%
Capital Grants and Subsidies	(151 738 800)	(126 449 000)	-	0.00%
Gains on Disposal of PPE	-	-	(4 901 928)	0.00%
<b>Adopted Revenue Budget</b>	<b>2 815 154 800</b>	<b>2 345 962 333</b>	<b>2 327 265 521</b>	<b>99.20%</b>
Expenditure	2 878 250 200	2 398 541 833	2 368 376 133	98.74%
<b>Add:</b> Energy Saving initiative provision for expenditure to off-set Revenue received	-	-	7 416 667	0.00%
<b>Adopted Expenditure Budget</b>	<b>2 878 250 200</b>	<b>2 398 541 833</b>	<b>2 375 792 800</b>	<b>99.05%</b>
<b>Surplus/(Deficit)</b>	<b>(63 095 400)</b>	<b>(52 579 500)</b>	<b>(48 527 278)</b>	

### 3.3 Cash Flow Situation

#### **Council's Working Capital Policy:**

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 3,11:1 (641 828/206 251).

#### **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:  $[(145\,066 - 3\,737 - 70\,385) + 570\,884] / (2\,878\,250 - 376\,848 - 26\,388) / 12]$  which currently sits at 3,11:1.

It bears noting that in terms of both Council's Policy and the National Treasury MFMA Circular 71, the City of uMhlathuze has suitable cash coverage.

### 3.4 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2017	AMOUNT GAZETTED FOR AUGUST 2017	AMOUNT GAZETTED FOR SEPTEMBER 2017	AMOUNT GAZETTED FOR OCTOBER 2017	AMOUNT GAZETTED FOR NOVEMBER 2017	AMOUNT GAZETTED FOR DECEMBER 2017	AMOUNT GAZETTED FOR JANUARY 2018	AMOUNT GAZETTED FOR FEBRUARY 2018	AMOUNT GAZETTED FOR MARCH 2018	AMOUNT GAZETTED FOR APRIL 2018	AMOUNT GAZETTED FOR MAY 2018	AMOUNT GAZETTED FOR JUNE 2018	TOTAL TO BE RECEIVED AS AT 30/06/2018	AMOUNT RECEIVED AS AT 30/04/2018	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/04/2018	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>																		
Equitable Share	121 671 000		-	-	-	97 336 000	-	-	73 002 000	-	-	-	292 009 000	292 009 000	-	243 340 833.33	83%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services
Municipal Infrastructure Grant	16 000 000		-	-	-	44 000 000	-	-	48 742 000	-	-	-	108 742 000	108 742 000	-	65 929 112	61%	This expenditure is as per claims submitted to COGTA.
Financial Management Grant	2 650 000		-	-	-	-	-	-	-	-	-	-	2 650 000	2 650 000	-	1 672 398	63%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Water Service Infrastructure Grant-WSIG			-	20 200 000	-	-	-	13 800 000	-	-	-	-	34 000 000	34 000 000	-	33 960 777	100%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Programme		1 036 000	-	-	1 864 000	-	-	1 243 000	-	-	-	-	4 143 000	4 143 000	-	4 143 000	100%	The grant is for the operational expenditure for EPWP
Infrastructure Skills Development Grant	2 500 000		-	-	-	-	4 000 000	-	-	-	-	-	6 500 000	6 500 000	-	3 158 340	49%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Integrated National Electrification Grant	6 000 000		-	4 000 000	-	-	-	-	-	-	-	-	10 000 000	10 000 000	-	4 446 462	44%	The INEG is a project based grant administered by DOE for the electrification of poor households
Municipal Demarcation Transitional Grant	1 142 000		1 141 000	-	-	-	-	-	1 141 000	-	-	-	3 424 000	6 209 000	(2 785 000)	4 031 395	65%	This grant is for the dis-establishment of Ntambanana Municipality. Additional allocation R 2 785 000 was received in terms of DORA amendment act
Energy Efficiency and Demand Side Management Grant									5 000 000				5 000 000	5 000 000	-		0%	R 5 000 000 was received in terms of DORA amendment Gazette in March
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>149 963 000</b>	<b>1 036 000</b>	<b>1 141 000</b>	<b>24 200 000</b>	<b>1 864 000</b>	<b>141 336 000</b>	<b>4 000 000</b>	<b>15 043 000</b>	<b>127 885 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>466 468 000</b>	<b>469 253 000</b>	<b>(2 785 000)</b>	<b>360 682 318</b>	<b>77%</b>	

NOTES:

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DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2017	AMOUNT GAZETTED FOR AUGUST 2017	AMOUNT GAZETTED FOR SEPTEMBER 2017	AMOUNT GAZETTED FOR OCTOBER 2017	AMOUNT GAZETTED FOR NOVEMBER 2017	AMOUNT GAZETTED FOR DECEMBER 2017	AMOUNT GAZETTED FOR JANUARY 2018	AMOUNT GAZETTED FOR FEBRUARY 2018	AMOUNT GAZETTED FOR MARCH 2018	AMOUNT GAZETTED FOR APRIL 2018	AMOUNT GAZETTED FOR MAY 2018	AMOUNT GAZETTED FOR JUNE 2018	TOTAL TO BE RECEIVED AS AT 30/06/2018	AMOUNT RECEIVED AS AT 30/04/2018	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/04/2018	% SPENT	COMMENTS
PROVINCIAL TREASURY																		
Provincialisation of Libraries	-	-	7 881 000	-	-	-	-	-	-	-	-	-	7 881 000	7 881 000	-	18 106 558	230%	The total cost of libraries is indicated in the total expenditure column, However council only receives a subsidy from KZN Provincial libraries services this means that Council must fund the balance from Rates and General services
Community Library Services Grant (Cyber cadets)	-	-	1 504 000	-	-	-	-	-	-	-	-	-	1 504 000	1 504 000	-	1 145 057	76%	Expenditure shown is the total operating cost of the Cybercadets for the period, Expenditure is on track.
Housing Operating Account	-	-	2 628 000	-	-	-	-	-	-	-	-	-	2 628 000	1 316 040	1 311 960	10 930 819	416%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs. Council is required to co-fund Human Settlement cost
Museum Subsidy	-	-	183 000	-	-	-	-	-	-	-	-	-	183 000	183 000	-	5 647 262	3086%	The total cost of Museum is indicated in the total expenditure column, However council only receives a subsidy from KZN Provincial Library Services this means that council must fund the balance from Rates and General services
TOTAL PROVINCIAL TREASURY GRANTS	-	-	12 196 000	-	-	-	-	-	-	-	-	-	12 196 000	10 884 040	1 311 960	35 829 695	294%	
TOTAL GRANTS AND SUBSIDIES	149 963 000	1 036 000	13 337 000	24 200 000	1 864 000	141 336 000	4 000 000	15 043 000	127 885 000	-	-	-	478 664 000	480 137 040	(1 473 040)	396 512 013	83%	

### 3.5 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 April 2018:

FUNCTION	ADJUSTED BUDGET	ACTUAL APRIL 2018 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	125 321 500	47 448 965	53.88%
Community and Social Services	31 912 400	9 191 714	25.74%
Energy Sources	92 796 200	26 779 704	24.84%
Executive and Council	119 000	73 136	61.46%
Environmental Protection	739 900	-	0.00%
Planning and Development	22 142 800	9 424 879	52.67%
Public Safety	7 242 000	4 350 918	64.82%
Road Transport	103 195 300	48 400 966	53.48%
Sport and Recreation	19 470 300	6 220 764	33.92%
Waste Management	2 492 000	302 405	12.14%
Waste Water Management	72 989 600	46 319 313	55.47%
Water	92 083 800	48 737 209	41.69%
	<b>570 504 800</b>	<b>247 249 973</b>	<b>43.47%</b>

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET	ACTUAL APRIL 2018 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	109 968 500	58 595 266	53.28%
Capital Replacement Reserve	312 797 500	105 118 354	33.74%
MIG	103 304 800	50 827 316	49.20%
Government Grants - National	44 434 000	32 709 037	74.34%
<b>TOTAL</b>	<b>570 504 800</b>	<b>247 249 973</b>	<b>43.47%</b>

### 3.6 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 April 2018:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2017/2018	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	716 067 400	596 722 833	580 194 497	97.23%
Remuneration of Councillors	29 533 100	24 610 917	24 434 157	99.28%
Debt Impairment	26 387 500	21 989 583	22 089 693	100.46%
Depreciation and asset impairment	376 848 000	314 040 000	314 892 413	100.27%
Finance Charges	73 638 800	61 365 667	61 405 199	100.06%
Bulk Purchases - Electricity	847 516 600	706 263 833	743 098 683	105.22%
Bulk Purchases - Water	120 000 000	100 000 000	100 267 183	100.27%
Other Materials	68 822 200	57 351 833	58 462 574	101.94%
Contracted Services	229 956 500	191 630 417	223 415 722	116.59%
Transfers and grants	12 161 200	10 134 333	9 784 715	96.55%
Other Expenditure	377 318 900	314 432 417	230 331 297	73.25%
<b>TOTAL</b>	<b>2 878 250 200</b>	<b>2 398 541 833</b>	<b>2 368 376 133</b>	<b>98.74%</b>
<b>Add:</b> Energy Saving initiative provision for expenditure to off-set Revenue received	-	-	7 416 667	0.00%
<b>TOTAL</b>	<b>2 878 250 200</b>	<b>2 398 541 833</b>	<b>2 375 792 800</b>	<b>99.05%</b>

#### **Bulk Purchases – Electricity**

Electricity purchases are higher in July and August due to the increased tariff charged by Eskom in the winter months. Corresponding increase in revenue is expected during the same period.

### 3.7 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2017/2018	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	445 589 200	371 324 333	374 497 639	100.85%
Service Charges – Electricity revenue	1 378 874 300	1 149 061 917	1 114 491 197	96.99%
Service Charges – Water revenue	310 516 400	258 763 667	323 289 210	124.94%
Service Charges – Refuse revenue	94 737 400	78 947 833	81 655 511	103.43%
Service Charges – Sanitation revenue	93 197 200	77 664 333	77 031 543	99.19%
Rental of facilities and equipment	8 008 100	6 673 417	6 117 050	91.66%
Interest earned – external investments	52 001 400	43 334 500	50 178 812	115.79%
Interest earned – outstanding debtors	52 800	44 000	81 889	186.11%
Fines	6 763 000	5 635 833	5 489 108	97.40%
Licences and permits	3 609 000	3 007 500	3 024 022	100.55%
Agency services	7 390 000	6 158 333	5 086 862	82.60%
Operating Grants and Subsidies	328 710 200	273 925 167	311 141 367	113.59%
Capital Grants and Subsidies	151 738 800	126 449 000	-	0.00%
Gains on Disposal of PPE	-	-	4 901 928	0.00%
Other Revenue	85 705 800	71 421 500	23 849 511	33.39%
<b>TOTAL REVENUE</b>	<b>2 966 893 600</b>	<b>2 472 411 333</b>	<b>2 380 835 649</b>	<b>96.30%</b>
<b>Less:</b> Equitable Share received in advance (May 2018 to June 2018)	-	-	(48 668 200)	0.00%
<b>Less: Capital Revenue</b>				
Gains on Disposal of PPE	-	-	(4 901 928)	0.00%
Capital Grants and Subsidies	(151 738 800)	(126 449 000)	-	0.00%
<b>TOTAL OPERATING REVENUE</b>	<b>2 815 154 800</b>	<b>2 345 962 333</b>	<b>2 327 265 521</b>	<b>99.20%</b>

The above table represents operating revenue per category as at 30 April 2018.

### 3.8 Surplus and Deficit by Service Category

SERVICES	ADJUSTED BUDGET 2017/2018			ACTUAL AS AT 30 April 2018		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Rates and General Services</b>						
Executive and Council	7,747	29,916	(22,169)	310	17,424	(17,114)
Finance and Administration	523,415	67,769	455,646	436,060	80,131	355,929
Community and Social Services	16,034	86,336	(70,302)	12,338	63,211	(50,873)
Sport and Recreation	29,385	146,441	(117,056)	2,939	110,765	(107,826)
Public Safety	4,099	67,835	(63,736)	749	50,417	(49,668)
Housing	4,789	18,216	(13,427)	202	14,817	(14,615)
Environmental Protection	165	8,925	(8,760)	-	7,075	(7,075)
Health			-	-	-	-
Planning and Development	19,654	87,689	(68,035)	15,462	62,563	(47,101)
Internal Audit	31	(331)	362	-	(1,173)	1,173
Road Transport	37,372	299,842	(262,470)	10,033	226,079	(216,046)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	94	27,835	(27,741)	-	22,628	(22,628)
Other	121	6,112	(5,991)	1	4,751	(4,750)
<b>Total Rates and General Services</b>	<b>642,906</b>	<b>846,585</b>	<b>(203,679)</b>	<b>478,094</b>	<b>658,688</b>	<b>(180,594)</b>
<b>Airport</b>	<b>697</b>	<b>807</b>	<b>(110)</b>	<b>384</b>	<b>672</b>	<b>(288)</b>
<b>Trading Services</b>						
Electricity	1,406,107	1,188,000	218,107	1,119,307	1,005,841	113,466
Water	479,543	482,854	(3,311)	420,945	412,294	8,651
Clarified Water	21,564	16,756	4,808	18,734	18,233	501
Sewerage	258,104	194,233	63,871	203,506	172,375	31,131
Refuse Removal	157,976	149,016	8,960	139,864	100,273	39,591
<b>Total Trading Services</b>	<b>2,323,294</b>	<b>2,030,859</b>	<b>292,435</b>	<b>1,902,356</b>	<b>1,709,016</b>	<b>193,340</b>
<b>Total Service Category</b>	<b>2,966,897</b>	<b>2,878,251</b>	<b>88,646</b>	<b>2,380,834</b>	<b>2,368,376</b>	<b>12,458</b>

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, Clarified Water, Sewerage and Refuse Removal are expected to be profitable **only Electricity, Sewerage and Refuse services are yielding surpluses. Water is yielding a deficit despite the revenue being inflated by drought tariffs.**

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 and increasing revenue. For Rates, the primary solution is to reduce expenditures in specific areas that are Rates dependant.

From a sustainability perspective, it is of particular concern that all functions funded by Rates and General Income are not breaking even. **The dependency on Electricity Revenue alone is of great risk. Firstly, it is more susceptible to economic fluctuations compared to Rates income and secondly, Council needs to keep Electricity Tariffs for business at competitive prices to stimulate economic development. Keeping the Municipality afloat through Electricity alone is a risk to financial sustainability.**

### 3.9 Debtors Age Analysis

#### ➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	6,280,642	239,144	212,592	7,945,166	14,677,544
Business	242,157,088	3,815,958	1,851,160	53,066,212	300,890,418
Households	57,942,901	6,151,767	4,535,056	115,122,546	183,752,270
Other	1,691,641	452,483	-212,019	9,329,843	11,261,948
<b>Total</b>	<b>308,072,272</b>	<b>10,659,352</b>	<b>6,386,789</b>	<b>185,463,767</b>	<b>510,582,180</b>
<b>%</b>	<b>60.34%</b>	<b>2.09%</b>	<b>1.25%</b>	<b>36.32%</b>	

### FINANCIAL REPORTING ON INCOME / DEBT

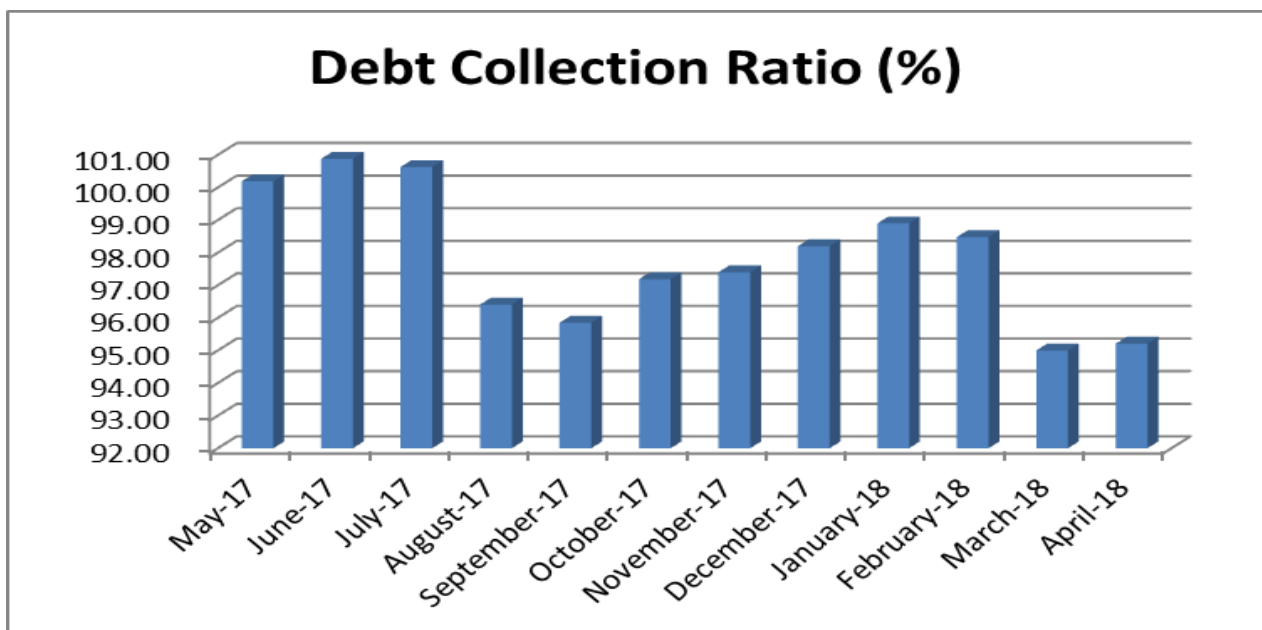
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National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

➤ **Debt Collection Rate**

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

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

<b>Month</b>	<b>Debt Collection Ratio (%)</b>
April-18	95.21
March-18	95.00
February-18	98.48
January-18	98.90
December-17	98.20
November-17	97.40
October-17	97.19
September-17	95.85
August-17	96.41
July-17	100.63
June-17	100.88
May-17	100.19



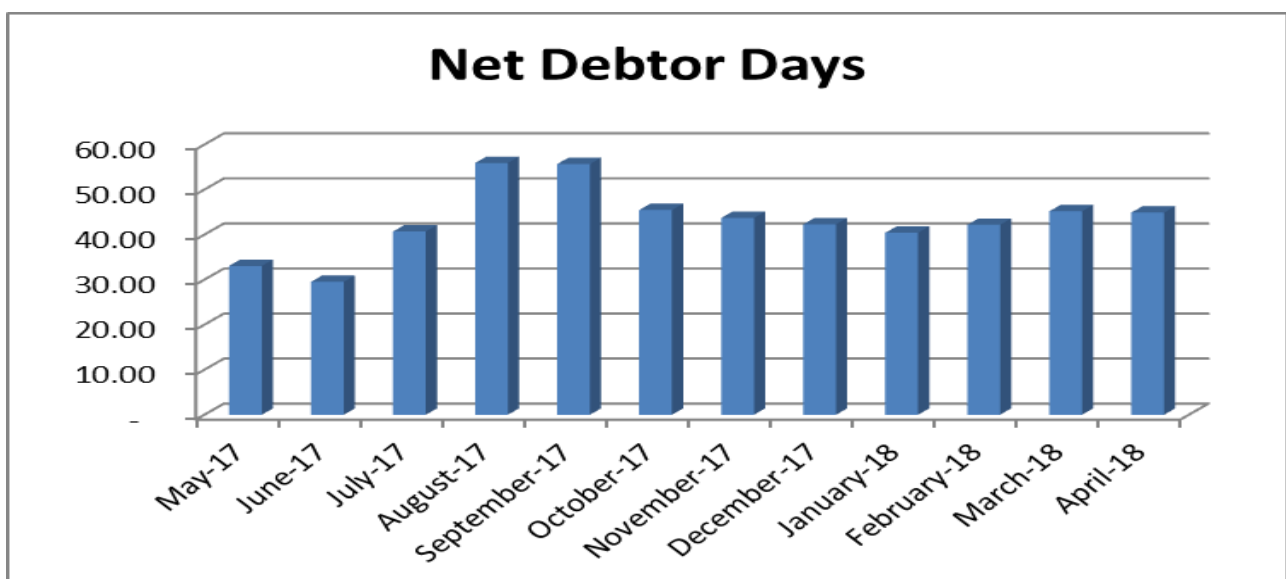
➤ **Net Debtors Days**

This ratio reflects the collection period. Net Debtor Days refer 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 excludes 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.

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

<b>Month</b>	<b>Net Debtor Days</b>
April-18	44.89
March-18	45.17
February-18	42.17
January-18	40.40
December-17	42.28
November-17	43.70
October-17	45.45
September-17	55.66
August-17	55.90
July-17	40.70
June-17	29.52
May-17	33.05





➤ **Top Ten Business Debts**

TOP 10 DEBTORS			
Debtor No	Name	90 days +	Grand Total
1854904	BASFOUR 3721 (PTY) LTD	22,377,590	22,377,590
1610626	TISAND (PTY) LTD	4,592,748	4,648,723
2289941	PANDA PETROLEUMS	4,971,637	4,994,192
1929003	ZOTEC DEVELOPMENT(PTY)LTD	3,192,360	3,192,360
416383	RIVER ROCK INVEST (PTY) LTD	2,147,921	2,388,095
392020	RIVER ROCK INVEST (PTY) LTD	1,072,118	1,960,101
1940649	SHIFTING SANDS PROPERTY INVESTMENTS	566,973	664,094
1317138	KING CETSHWAYO DISTRICT MUNICIPALITY	527,896	660,842
2368872	CADRE PROPERTIES (PTY) LTD	524,167	654,208
1249632	BEST CUT MEAT (PTY) LTD	1,991,189	3,044,504
		<b>41,964,600</b>	<b>44,584,709</b>

**MATTERS BEING HANDLED BY THE FINANCE DEPARTMENT**

**1. BASFOUR 3721 (PTY) LTD**

The administration around this legal process is managed by the Finance Department. Basfour 3721 (Pty) Ltd / Indlovu Dev Trust Trustees is the account for the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate. The developer disputed the account. The dispute is of a contractual nature. The account was handed over to Council's attorneys. Summons was issued and the case was defended. The setting down of the court date by the Registrar of the High Court for the claim is still awaited.

**Update April 2018**

There is no further progress as the legal process is continuing.

**2. TISAND (PTY) LTD**

This account for Tisand (Pty) Ltd is in respect of the water surcharge being levied against the debtor. The matter is under dispute. Council obtained advice from its attorneys. The advice is currently being studied and will be reported on in due course.

**Update April 2018**

There is no further progress to report.

**3. BEST CUT MEAT (PTY) LTD**

The account relates to an electricity & water account for the Best Cut factory in Empangeni. The debtor advised that the full account will be paid as a transaction is pending that will enable them to do so. The payment arrangement was concluded and substantial first payment were received.

The debtor did not honour the payment arrangement and the electricity to the factory was disconnected. The account was also handed over to Council's attorneys for further collection

There is a guarantee noted on the account and the guarantee has also been called up  
The electricity is still off and the legal process is proceeding

#### **Update April 2018**

The legal process has now been placed on hold as the company went into Business Rescue. Council's debt remains secured against the property and will be paid in due course.

#### **4. SHIFTING SANDS (PTY) LTD**

The account is in respect of services to a business park in Empangeni. The charges were charges related to the previous owner and there was a large amount corrected once off on the account. A payment arrangement to settle the account in instalments was made.

#### **Update April 2018**

The debtor is honouring the arrangement and paying in instalments.

#### **5. ZOTEC DEVELOPMENT (PTY) LTD**

Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Estate in Empangeni. The developer disputed the charges. The matter is set down for Arbitration. Legal Services advised that the matter was referred to arbitration. Upon hearing the matter, it became clear that Council did not have in its possession information that was required to substantiate the total amount claimed because employees that were dealing with this agreement had left the employ of the Council. The Arbitrator, Mr Crampton, acknowledged that there were amounts that were due to Council in respect of contributions. He concluded with an order that Zotec should pay Council an amount of R820 000.00. This amount was paid into Council's account when the arbitration was finalised in 2016.

#### **Update April 2018**

The balance on the account must be reversed by Finance Department. Reversal is still outstanding.

#### **6. PANDA PETROLEUMS**

This debt is in respect of rental of town land in respect of the proposed truck stop in Alton. The debtor's failure to adhere to the agreement was been reported to the DMM City Development, Property Division to give the debtor notice in terms of the agreement. The debtor's account was handed over to Council's attorneys for collection but the file was pended under request from the legal section who advised that they will be dealing with the matter. Legal Services (Litigation sub-section) advised that it is their view that collection proceedings should proceed. It was confirmed that the agreement between Council and Panda Petroleum was terminated on 12 October 2017 (DMS 1234550). Subsequent to the termination, Panda Petroleum requested Council to consider amendment of the lease agreement. This request was considered to be out of time.

#### **Update April 2018**

The legal collection process is in process.

## **6. CADRE PROPERTIES**

This debt is in respect of rates for a property in the newly incorporated area of Ntambanana. The debtor had to be traced due to lack of debtor information available. Officials are currently in discussion with the debtor to arrange payment.

### **MATTERS OUTSTANDING FROM CORPORATE SERVICES DEPARTMENT – LEGAL SERVICES AND CITY DEVELOPMENT**

#### **1. RIVER ROCK INVESTMENTS (PTY) LTD**

The 2 accounts for River Rock Investments accounts relates to:

- an account for rates that are levied in respect of the Caravan Park while the contract provides that the rental includes the rates.
- an account for rental in respect of the area being used by Imvubu Lodge. They are paying a portion on the rental and have declared a dispute in terms of the provisions of the contract several years back and requested that the matter referred for arbitration. River Rock are paying their monthly charges, excluding the disputed charge.

Legal Services advised that on 9 January 2018, River Rock Investments served the municipality with a summons wherein they are disputing that the lease expired on 31 May 2017 and the lease is on a month-to-month period until such time that the lease is allocated to another party. The contract made provision that the contract must be renewed at least 12 calendar months prior to the termination date and River Rock failed to exercise that option

#### **Update April 2018**

There is no progress to report

#### **2. KING CETSWHAYO DISTRICT MUNICIPALITY**

The charges relate to a sundry charge levied against one of the accounts of the accounts of the King Cetshwayo District Municipality.

It relates to damage caused to the fibre optic cable at the Cemetery. UThungulu officials indicated in correspondence that there has been some agreement with the contractor and Council.

Legal services section advised that they are dealing with the matter

A meeting was held with KCDM representatives and the Contractor to discuss the issue and to find a solution. At the meeting, the contractor disputed certain items that Council is claiming from him as unnecessary and request that further proof be provided by Council's contractor who conducted the repair work. Further details of clarity have been requested from Council's contractor.

#### **Update April 2018**

The matter is still ongoing.

## Government Debt

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

Government Departments - Summary of ALL Debt									
Government Department	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
National	2,071,685	20,941	8,189	8,497	14,763	-4,094	1,329,999	834,963	4,284,943
Provincial	4,717,393	485,533	248,166	222,759	-19,609	343,713	3,729,147	3,127,916	12,855,018
Totals	6,789,078	506,474	256,355	231,256	-4,846	339,619	5,059,146	3,962,879	17,139,961
National Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	2,059,018	14,538	1,786	2,094	8,359	-4,722	634,047	729,449	3,444,569
Rural Development & land Reform	12,667	6,404	6,404	6,404	6,404	628	695,951	105,514	840,376
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	181,942	114,280	63,273	37,766	53,744	45,258	2,219,855	1,472,793	4,188,911
Education	1,562,408	51,955	93,571	34,248	-208,012	30,380	1,029,556	813,260	3,407,366
Human Settlement	196,925	27,905	22,151	12,800	11,773	7,915	118,564	756,713	1,154,746
Department of Transport	264,453	41,844	32,055	-	-	-	-	-	338,352
Department of Health	2,463,773	230,156	20,634	131,464	106,289	255,602	335,425	79,373	3,622,716
COGTA	8,793	16,397	16,447	16,481	16,598	4,558	25,746	5,769	110,789
Department of Social Welfare	33,968	-	-	-	-	-	-	-	33,968
Department of Agriculture	5,131	2,996	36	-	-	-	-	-	8,163
SANRAL	-	-	-	-	-	-	-	8	8
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Transnet	11,854,989	239,577	227,990	184,396	171,935	171,229	888,584	58,963	13,797,663
ESKOM	175,329	40,441	30,771	33,445	16,816	1,610	6,000	42	304,454
Ingonyama Trust Board	32,873	16,620	16,620	13,116	16,212	16,062	832,213	3,550,041	4,493,757
Telkom	186,406	-	-	-	-	-	-	-	186,406
Foskor	55,701,052	1,455,959	-	-	-	-	-	-	57,157,011
SA Post Office	15,305	3,974	2,603	-	-	-	-	-	21,882

## Comments Regarding Government Debt

A special workshop on Government Debt was held at Council offices, facilitated by Provincial Treasury. A special program is in place with the objective to provide a final resolve to all government debt. The results of the program will become clearer during this financial year. The co-operation between the different government departments are very good and positive results can be expected. The majority of the government accounts in respect of rates for the 2017/2018 year have now been paid.

### Update April 2018

The process is ongoing.

#### 6.10 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 R107 371,81 as per **Annexure AB - DMS 1275310**.

Councillor's debt amounts to R17 861,46 as per **Annexure AC - DMS 1275310**.

#### 7. 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.**

##### 7.1 Employee related costs

The total employee related expenditure including overtime is within budgetary limits. A concerted effort has been made by the Municipal Manager and the Deputy Municipal Managers to reduce overtime expenditure.

##### 7.1.1 Employee Related Costs – Overtime

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

EXPENDITURE PER CATEGORY	ADJUSTED BUDGET 2017/2018	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA ADJUSTED BUDGET SPENT
		R	R	R	%
Overtime - Non-structured	24,520,600	20,433,833	21,340,655	(906,822)	104%
Overtime - Structured	15,569,200	12,974,333	13,381,731	(407,398)	103%
Shift Additional Remuneration	2,414,400	2,012,000	2,163,680	(151,680)	108%
<b>TOTAL</b>	<b>42,504,200</b>	<b>35,420,167</b>	<b>36,886,066</b>	<b>(1,465,900)</b>	<b>104%</b>

The table below represents the expenditure incurred on overtime for each department for the month of April 2018. The relevant departments have supplied the comments for the over-expenditure incurred on overtime:

DEPARTMENT	ADJUSTED BUDGET 2017/2018	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	R	%
Community Services	20,150,800	16,792,333	18,771,313	(1,978,980)	112%
Corporate Services	664,600	553,833	560,046	(6,212)	101%
Financial Services	159,600	133,000	122,959	10,041	92%
Infrastructure and Technical Services	21,509,500	17,924,583	17,427,076	497,507	97%
Office of the Municipal Manager	19,700	16,417	4,670	11,746	0%
<b>Total</b>	<b>42,504,200</b>	<b>35,420,167</b>	<b>36,886,064</b>	<b>(1,465,897)</b>	<b>104%</b>

Detailed explanations that have been provided by the departments on the over-expenditure reflected in the table above have been included below (5. Exception Reporting - Departmental).

In terms of Council Resolution 10542 dated 1 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 April 2018 the employees in the following functions worked overtime of more than 10 hours per week which is the maximum that may be allowed in terms of Council’s revised overtime policy **(DMS 854249)**.

The following table sets out the applicable information:

EMP NO	FUNCTION	FUNCTION DESCRIPTION	SALARY SCALE	OCCUPATION	HOURLY RATE	OVERTIME AMOUNT	1.5 OVERTIME - ACTUAL HOURS WORKED	2.0 OVERTIME - ACTUAL HOURS WORKED	TOTAL HRS	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NOTES
2009052	FX015001002002	Sewerage - Pumpstations	4	HANDYMAN	63.88	6 004.72	20.00	32.00	52.00	40.00	12.00	a
2016039	FX015001002002	Sewerage - Pumpstations	4	STORE ASSISTANT	57.88	5 440.72	20.00	32.00	52.00	40.00	12.00	b
2016066	FX015001002002	Sewerage - Pumpstations	3	GENERAL WORKER GR I	49.91	4 691.64	20.00	32.00	52.00	40.00	12.00	c
100288	FX016001001003	Water Treatment - Scientific Services	5	ARTISAN ASSISTANT GR	77.84	7 316.96	20.00	32.00	52.00	40.00	12.00	d
2017017	FX015001002003	Sewerage - Sewerage Network	11	SUPERINTENDENT	155.40	12 898.20	18.00	28.00	46.00	40.00	6.00	e
59188	FX001001005001	Community Halls and Facilities: Buildings Maintenance	6	GENERAL WORKMAN GR	97.21	7 388.10	28.00	17.00	45.00	40.00	5.00	f
2009053	FX001001005001	Community Halls and Facilities: Buildings Maintenance	4	HANDYMAN	63.88	4 854.88	28.00	17.00	45.00	40.00	5.00	g
2014129	FX001001005001	Community Halls and Facilities: Buildings Maintenance	3	GENERAL WORKER GR I	52.43	3 984.82	28.00	17.00	45.00	40.00	5.00	h
49460	FX015001002003	Sewerage - Sewerage Network	5	DRIVER/OPERATOR	85.92	6 486.96	29.00	16.00	45.00	40.00	5.00	i
51268	FX015001002003	Sewerage - Sewerage Network	9	PLUMBER/SENIOR	118.44	8 705.34	33.00	12.00	45.00	40.00	5.00	j
2006057	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	55.09	4 159.44	29.00	16.00	45.00	40.00	5.00	k
2007096	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	55.09	4 049.28	33.00	12.00	45.00	40.00	5.00	l
2007120	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	55.09	4 159.44	29.00	16.00	45.00	40.00	5.00	m
2007143	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	55.09	4 159.44	29.00	16.00	45.00	40.00	5.00	n
2007228	FX015001002003	Sewerage - Sewerage Network	2	GENERAL WORKER GR I	52.43	3 853.77	33.00	12.00	45.00	40.00	5.00	o
2016032	FX015001002003	Sewerage - Sewerage Network	3	GENERAL WORKER GR I	51.15	3 861.97	29.00	16.00	45.00	40.00	5.00	p
2000013	FX016001001003	Water Treatment - Scientific Services	9	PLUMBER/SENIOR	137.35	10 370.07	29.00	16.00	45.00	40.00	5.00	q
2012059	FX016001001003	Water Treatment - Scientific Services	3	GENERAL WORKER GR I	55.09	4 049.28	33.00	12.00	45.00	40.00	5.00	r

NOTES:												
a	employee 2009052 worked 5 hrs x 4 Sundays = 20 hours but Sunday time is rounded up to 8 hrs therefore 8 hrs x 4 = 32 hrs plus 20 hrs at 1.5 = 52 hours paid BUT only 40 hours worked											
b	employee 2016039 worked 5 hrs x 4 Sundays = 20 hours but Sunday time is rounded up to 8 hrs therefore 8 hrs x 4 = 32 hrs plus 20 hrs at 1.5 = 52 hours paid BUT only 40 hours worked											
c	employee 2016066 worked 5 hrs x 4 Sundays = 20 hours but Sunday time is rounded up to 8 hrs therefore 8 hrs x 4 = 32 hrs plus 20 hrs at 1.5 = 52 hours paid BUT only 40 hours worked											
d	employee 100288 worked 5 hrs x 4 Sundays = 20 hours but Sunday time is rounded up to 8 hrs therefore 8 hrs x 4 = 32 hrs plus 20 hrs at 1.5 = 52 hours paid BUT only 40 hours worked											
e	employee 2017017 worked 6 hrs x 3 Sundays = 18 hours + 2 hrs x 1 Sunday = 2 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 3 = 24 hrs plus 4 hrs x 1 = 4 hrs plus 18 hrs at 1.5 = 46 hours paid BUT only 40 hours worked											
f	employee 59188 worked 5 hrs x 1 Sunday = 5 hours + 6 hrs x 1 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs therefore 8 hrs x 2 = 16 hrs plus 28 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
g	employee 2009053 worked 5 hrs x 1 Sunday = 5 hours + 6 hrs x 1 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs therefore 8 hrs x 2 = 16 hrs plus 28 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
h	employee 2014129 worked 5 hrs x 1 Sunday = 5 hours + 6 hrs x 1 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs therefore 8 hrs x 2 = 16 hrs plus 28 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
i	employee 49460 worked 5 hrs x 1 Sunday = 5 hours + 3 hrs x 2 Sundays = 6 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 2 = 8 hrs plus 29 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
j	employee 51268 worked 5 hrs x 1 Sunday = 5 hours + 2 hrs x 1 Sunday = 2 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 1 = 4 hrs plus 33 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
k	employee 2006057 worked 5 hrs x 1 Sunday = 5 hours + 6 hrs x 1 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs therefore 8 hrs x 2 = 16 hrs 29 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
l	employee 2007096 worked 5 hrs x 1 Sunday = 5 hours + 2 hrs x 1 Sunday = 2 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 1 = 4 hrs plus 33 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
m	employee 2007120 worked 5 hrs x 1 Sunday = 5 hours + 3 hrs x 2 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 2 = 8 hrs plus 29 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
n	employee 2007143 worked 5 hrs x 1 Sunday = 5 hours + 3 hrs x 2 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 2 = 8 hrs plus 29 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
o	employee 2007228 worked 5 hrs x 1 Sunday = 5 hours + 2 hrs x 1 Sunday = 2 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 1 = 4 hrs plus 33 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
p	employee 2016032 worked 5 hrs x 1 Sunday = 5 hours + 6 hrs x 1 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs therefore 8 hrs x 2 = 16 hrs 29 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
q	employee 2000013 worked 5 hrs x 1 Sunday = 5 hours + 3 hrs x 2 Sunday = 6 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 2 = 8 hrs plus 29 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											
r	employee 2012059 worked 5 hrs x 1 Sunday = 5 hours + 2 hrs x 1 Sunday = 2 hrs but Sunday time is rounded up to 8 hrs or 4 hours therefore 8 hrs x 1 = 8 hrs plus 4 hrs x 1 = 4 hrs plus 33 hrs at 1.5 = 45 hours paid BUT only 40 hours worked											



## 7.2 Volume of Transfers

Type of Transfer of Funds	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Total Number of Transfers
Capital	0	13	11	9	11	32	34	4	32	30	176
Operating	4	38	99	40	158	45	12	21	148	31	596
<b>Total</b>	<b>4</b>	<b>51</b>	<b>110</b>	<b>49</b>	<b>169</b>	<b>77</b>	<b>46</b>	<b>25</b>	<b>180</b>	<b>61</b>	<b>772</b>

Department	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Total Value of Transfers
City Development	-	2,000	-	369,900	47,600	232,300	44,500	3,250,000	19,879,200	1,023,600	24,849,100
Community Services - Health and Public Safety	-	27,000	1,611,000	970,300	990,900	2,168,400	1,821,000	227,000	2,649,800	3,937,100	14,402,500
Corporate Services	61,000	785,500	12,864,700	909,000	1,215,200	26,625,700	1,826,700	33,300	4,103,900	649,700	49,074,700
Financial Services	15,000	24,100	1,427,000	4,500	133,600	2,721,000	-	11,600	271,300	993,300	5,601,400
ITS - Electrical Supply Services	-	8,000	26,347,100	13,933,500	12,784,500	14,596,300	2,000,000	-	220,000	4,270,500	74,159,900
ITS - Engineering Support Services	-	426,900	1,583,200	800	180,000	615,900	-	360,000	474,000	29,400	3,670,200
ITS - Roads and Stormwater	14,000	1,947,400	10,059,500	560,000	4,760,700	3,932,300	-	-	2,208,700	8,700,800	32,183,400
ITS - Water and Sanitation Services	-	18,700	25,500,800	231,600	42,901,400	12,994,000	829,000	9,200	10,218,000	995,900	93,698,600
Office of The Municipal Manager	-	-	1,671,500	15,000	480,700	52,500	47,000	4,000	217,800	70,000	2,558,500
<b>Total</b>	<b>90,000</b>	<b>3,239,600</b>	<b>81,064,800</b>	<b>16,994,600</b>	<b>63,494,600</b>	<b>63,938,400</b>	<b>6,568,200</b>	<b>3,895,100</b>	<b>40,242,700</b>	<b>20,670,300</b>	<b>300,198,300</b>

The table indicated above shows the Virements received by Financial Services in April 2018 from the various departments.

## 7.3 Exception reporting - Specific Line items

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

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	
LINE ITEM	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	YEAR ACTUAL	ACTUAL YTD	PRO-RATA ADJUSTED BUDGET APRIL 2018	ACTUAL YTD 30/04/2018
	R	R	R	R	R	R	R
SAFEGUARD AND SECURITY	20,908,176	24,679,748	30,950,032	37,924,078	46,469,620	37,840,250	40,657,305

The spending patterns per department are as follows:

DEPARTMENT	ADJUSTED BUDGET 2016/2017	PRO-RATA ADJUSTED BUDGET (YTD)	APRIL ACTUAL (YTD)	% OF ADJUSTED BUDGET OVERSPENT
	R	R	R	R
CITY DEVELOPMENT	2,062,800	1,719,000	1,889,604	110%
COMMUNITY SERVICES	19,219,700	16,016,417	15,964,632	100%
CORPORATE SERVICES	5,961,300	4,967,750	6,361,671	128%
FINANCIAL SERVICES	2,544,400	2,120,333	2,329,013	110%
ENERGY AND ELECTRICAL SOURCES	3,157,800	2,631,500	3,648,827	139%
INFRASTRUCTURE SERVICES	12,462,300	10,385,250	10,463,558	101%
<b>TOTAL</b>	<b>45,408,300</b>	<b>37,840,250</b>	<b>40,657,305</b>	<b>107%</b>

It is apparent from the information contained in the table above that the 2017/18 Adjusted Adopted Budget will not be sufficient. The Departments concern needs to investigate the possible reduction of expenditure. The security services that are currently being paid for must either reduce or additional funding is to be provided to ensure that sufficient budget is available to meet the monthly contractual obligations.

The Deputy Municipal Manager: Community Services has drafted a report (RPT 163634) on the analysis of security expenditure and will be recommending certain cost cutting measures.

## 8. EXCEPTION REPORTING - DEPARTMENTAL

### 8.1.1 Community Services, Health and Public Safety and Recreational and Environmental Services

#### 8.1.2 Overtime

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY											
OVERTIME											
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES AND HEALTH											
FX011001005	Fire Fighting and Protection	572,300	-	1,789,400	2,361,700	1,968,083	550,954	-	1,580,235	2,131,189	(163,106)
FX012001001	Police Forces, Traffic and Street Parking Co	1,267,500	2,393,400	94,300	3,755,200	3,129,333	1,977,908	1,196,672	80,444	3,255,024	(125,691)
FX005001012	Security Services	272,900	-	261,900	534,800	445,667	214,362	-	258,958	473,320	(27,653)
FX012001005	Taxi Ranks	115,500	-	-	115,500	96,250	116,452	-	-	116,452	(20,202)
FX014001003	Solid Waste Removal	41,700	6,388,600	-	6,430,300	5,358,583	9,360	6,282,021	-	6,291,381	(932,798)
FX014001004	Street Cleansing	-	4,654,700	-	4,654,700	3,878,917	-	4,190,222	-	4,190,222	(311,305)
FX015001001	Public Toilets	196,600	-	-	196,600	163,833	183,860	-	-	183,860	(20,027)
Total		2,466,500	13,436,700	2,145,600	18,048,800	15,040,667	3,052,896	11,668,915	1,919,637	16,641,448	(1,600,782)

#### □ Fire Fighting and Protection

The Fire and Rescue Services is an essential services which has to be equipped and staffed to respond to all emergencies. It bears noting that all overtime work was actually part of the shift and numbers have not increased except that the month had holidays and more weekends. This creates impression of over expenditure, otherwise Section has not overspend in its budget.

❑ **Police Forces, Traffic and Street Parking and Security Services**

No comments provided by the user department at the time of printing this report.

❑ **Solid Waste Removal, Street Cleansing and Public Toilets**

Waste Management is a basic service which cannot be interrupted if we are to keep our environment clean. It bears noting that the month at hand had 5 weekends and a holiday, which contributed more to expenditure. It be noted that all the overtime worked was planned and approved. The expenditure is still stable without any fluctuation, which shows that there is no abuse but is based on need for this essential service.

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
COMMUNITY SERVICES RECREATION											
FX001001003	Cemeteries	664,000	151,000	-	815,000	679,167	637,908	75,490	-	713,398	(34,231)
FX013002004001	Sport Development and Sportfields	-	210,300	-	210,300	175,250	-	181,500	-	181,500	(6,250)
FX013001001	Beaches and Jetties	-	159,100	-	159,100	132,583	-	202,032	-	202,032	(69,449)
FX013002003003	Recreational Facilities - Swimming Pools	50,000	435,100	-	485,100	404,250	86,385	543,342	-	629,727	(225,477)
FX013001002	Community Parks (including Nurseries)	-	194,800	-	194,800	162,333	-	269,325	-	269,325	(106,992)
<b>Total</b>		<b>714,000</b>	<b>1,150,300</b>	<b>-</b>	<b>1,864,300</b>	<b>1,553,583</b>	<b>724,293</b>	<b>1,271,689</b>	<b>-</b>	<b>1,995,982</b>	<b>(442,399)</b>

□ **Cemeteries**

Burials fluctuate from month to month. Due to the high volume of internments over weekends and public holidays it is necessary for the staff to perform such duties. The focus has lately changed for internments from weekdays to weekends.

□ **Sport Development and Sportfield**

Sport and Recreation over spent on overtime in the previous month due to public holidays whereby officials could not perform all their duties during working hours and had to work on public holidays and weekends. Officials also had to work at the Richards Bay FC home matches. It is the PSL requirement that officials be on site for the duration of the match.

□ **Beaches and Jetties**

Payments for overtime were made to the lifeguards for the 2017/18 festive season. The beaches were extremely busy and the lifeguards requested to be paid overtime for public holidays and Sundays. The expertise was required in order to prevent any mishaps occurring at Alkantstrand Beach and surrounding beach area. This overtime payment leads to exhausting the funds in the overtime vote which a continuous over expenditure. Overtime was only paid for the December and January, to the lifeguards only.

□ **Swimming Pools**

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

□ **Community Parks (Including Nurseries)**

It be noted that the over-expenditure on overtime has been accumulating over the period of time during the current financial year. No overtime was worked in **April 2018** or the period under-consideration for the purpose of financial reporting. The incurred cost were a result of growing season for grass cutting functions and overtime had to be worked during December 2017 and January 2018. This Region also experienced severe adverse weather conditions **(Gale Force Winds) in September, October 2017 and February 2018** that resulted in the number of trees being blown over or uprooted and blocking the flow traffic. As result long hours had to be worked during the week and on weekends to overcome the workload, hence unscheduled overtime had to be organised during this period to improve or clear vegetation debris as per our operational requirements.

## 8.2 Corporate Services

### 8.2.1 Overtime

CORPORATE SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ADMINISTRATION											
FX005001001	Administrative and Corporate Support	280,000	46,700	174,900	501,600	418,000	262,066	23,314	158,841	444,221	(26,221)
FX005001007	Information Technology	-	8,000	-	8,000	6,667	-	8,873	-	8,873	(2,206)
Total		280,000	54,700	174,900	509,600	424,667	262,066	32,187	158,841	453,094	(28,427)

#### ❑ Administrative and Corporate Support

Over expenditure on overtime occurred due to overtime worked by staff delivering agendas after hours.

#### ❑ Information Technology

Due to the SAP ERP project, urgent renovation to ICT office space was required to accommodate the SAP ERP consultants that were not catered for in the 2017/18 Adjustment Budget. It is essential that at least one ICT employee is present when renovations are undertaken to protect and secure various ICT equipment and high risk areas such as the Server Room, hence the need for ICT employee overtime. The contractor commenced work on 12 January 2018 (between 16:00 and 06:00) and reverted to normal business hours on 18 April 2018.

### 8.3 Energy and Electricity Services

#### 8.3.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ENERGY SOURCES											
FX002001001001	Marketing and Customer relations	58,100	-	-	58,100	48,417	131,169	-	-	131,169	(82,752)
FX002001002001	Street Lighting	368,800	-	-	368,800	307,333	325,575	-	-	325,575	(18,242)
Total		426,900	-	-	426,900	355,750	456,744	-	-	456,744	(100,994)

#### □ Electricity Distribution and Street Lighting

There was a total of 323 call outs received for the month of April 2018, of which 316 call outs were mainly on meter faults and no power calls, which affected residential customers. There were seven (7) Medium Voltage failures due to cable faults, overhead lines, breaker and bushing failures which took an average of three hours to restore power, including travelling time and depending on the complexity and nature of the fault.

## 8.4 Infrastructure

### 8.4.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R	R	R	R	R	R	R	R	R
ENGINEERING SUPPORT SERVICES											
FX001001005001	Building Maintenance	35,600	5,100	-	40,700	33,917	60,931	2,546	-	63,477	(29,560)
Total		35,600	5,100	-	40,700	33,917	60,931	2,546	-	63,477	(29,560)

#### □ Building Maintenance

No comments provided by the user department at the time of printing this report.



INFRASTRUCTURE AND TECHNICAL SERVICES											
OVERTIME											
FUNCTION	DESCRIPTION	ADJUSTED BUDGET 2017/2018				PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL APRIL 2018 (YTD)				UNDER/ (OVER) EXPENDITURE
		NON- STRUCTURE D	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL		NON- STRUCTURED	STRUCTURE D	SHIFT ADDITIONAL REMUNERATION	TOTAL	
		R	R		R	R	R	R		R	R
WATER AND SANITATION SERVICES											
FX015001002002	Sewerage - Pumpstations	942,300	61,800	93,900	1,098,000	915,000	822,893	60,645	85,201	968,739	(53,739)
FX016001002002	Water Distribution - Urban Water	3,132,900	-	-	3,132,900	2,610,750	2,711,988	-	-	2,711,988	(101,238)
<b>Total</b>		<b>4,075,200</b>	<b>61,800</b>	<b>93,900</b>	<b>4,230,900</b>	<b>3,525,750</b>	<b>3,534,881</b>	<b>60,645</b>	<b>85,201</b>	<b>3,680,727</b>	<b>(154,977)</b>

❑ **Sewerage - Pumpstation**

Planned overtime implemented 30/01/2016. Critical pumpstations inspected over weekends (Dumisani Makhaye 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, this measure is taken to prevent residents from being exposed to sewer and any contamination that could be caused by an overflow.

❑ **Water Distribution – Urban Water**

Most of our pipes have exceeded their life span they can no longer withstand the Loads or forces that exceed their strength which is external forces such as point loads (e.g. through a sharp rock in the pipe bedding), the weight of the soil above the pipe and external factors such as soil movements which results in an increase in pipeline failures and pipe burst which occurs even after hours. Below are the other factors which have contributed immensely on over expenditure in overtime for the month of April 2018:

1. Shortage of water in a various areas - Most of our rural areas are supply by water tankers, most of our water tanker drivers work long hours delivering water to these areas.
2. Illegal water connections - Improper connections done by community members to municipality mainline pipes which later results to water leaks and burst pipes.

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

The following monthly budget statement tables (**DMS 1275306**) 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

### 10. **DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 30 April 2018.

### 11. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 April 2018.

### 12. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 April 2018.

### **13. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE**

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 30 April 2018.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 April 2018.

### **15. CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 30 April 2018:

- ❑ 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**).

### **16. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Refer to **DMS 1276740** (**Annexure AD**).

#### **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 MUNICIPAL MANAGER

The report is noted by the Office of the Municipal Manager.

### RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 30 April 2018, 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 1275306)** be noted; and
2. the comments on the Municipal Standard Chart of Accounts (mSCOA) project status included under point 3.1 of the report be noted.