

FINANCIAL REPORTING AS AT 31 JANUARY 2015

PURPOSE

To submit to Council the financial position of the uMhlathuze Municipality as at 31 January 2015, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

DEVELOPMENT STRATEGY 5: SOUND FINANCIAL MANAGEMENT	
Goal	Objective
1. Compliance with financial legislation and policies	<ul style="list-style-type: none"> • Ensure GRAP compliance • Ongoing review of SCM policies and procedures • Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models
2. Sustainable Financial Management	<ul style="list-style-type: none"> • Improve internal communication on budget matters • Maintenance of fixed asset register • Credit control and debt collection • Compliant internal controls • Compliant grant reporting • Obtain targeted cash-backed statutory reserves • Development and appropriate training and assistance to employees • Identify and redress water and electricity tampering

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 has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out.

Furthermore, National Treasury has 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.

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 January 2015 is included under **Annexures Z and AA (DMS 1019432)**.

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

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;*
- (b) *a summary of any financial problems or risks facing the municipality or any such entity; and*
- (c) *any other information considered relevant by the Mayor.”*

Monthly Report - January 2015

The monthly budget statement summary (Table C1) for the month of January 2015 (year to date actual), shows a surplus of R45,4 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 approved a Capital Budget of R420 million in May 2014. Included in the Adopted Capital Budget were Roll over / Additional projects that amounted to R160 million. Capital spending on these projects continued in the subsequent months therefore the Draft Adjusted Capital Budget for the 2014/15 financial year has been reduced by R36 million to R383 million.

Council is at the beginning of the financial year and capital expenditure is at R185,3 million (48,37%). This is based on the Draft Adjusted Capital Budget of R383 million. At the end of January 2015 an amount of R106,7 million is shown for orders that have been placed, but payment will only take place in the subsequent months.

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. EXECUTIVE SUMMARY

3.1 Operating Budget

The following table represents an executive summary for the financial period ended 31 January 2015:

DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	TARGET ACHIEVED
	R'000	R'000	R'000	%
Revenue (excluding capital grants)	2 370 558 500	1 382 825 792	1 411 857 327	102%
Expenditure	2 363 247 300	1 378 560 925	1 366 399 513	99%
	7 311 200	4 264 867	45 457 814	

As can be seen from the table above, Actual Surplus for the month ended 31 January 2015 is higher than the Budgeted Surplus.

Actual revenue to Budgeted revenue has exceeded the budget. Actual expenditure to Budgeted expenditure is below its budgetary limits.

Actual expenditure has increased primarily due to Bulk Purchases – Electricity and the same is applicable to Actual Revenue. Refer to section 3.4 and 3.5 further on in this report for explanations.

3.2 Cash Flow Situation

Details of Bank Balances

DESCRIPTION	CASH ON HAND AT 31 JANUARY 2015	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 31 JANUARY 2015
	R'000	R'000	R'000	%
Conditional Grants and unspent loans	105 402 000	105 402 000	105 402 000	-
Workings Capital	350 187 000	191 729 000	383 458 000	(33 271 000)
Total (incl. investments)	455 589 000	297 131 000	488 860 000	(33 271 000)

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 1,82:1 (350 187/191 729).

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.**

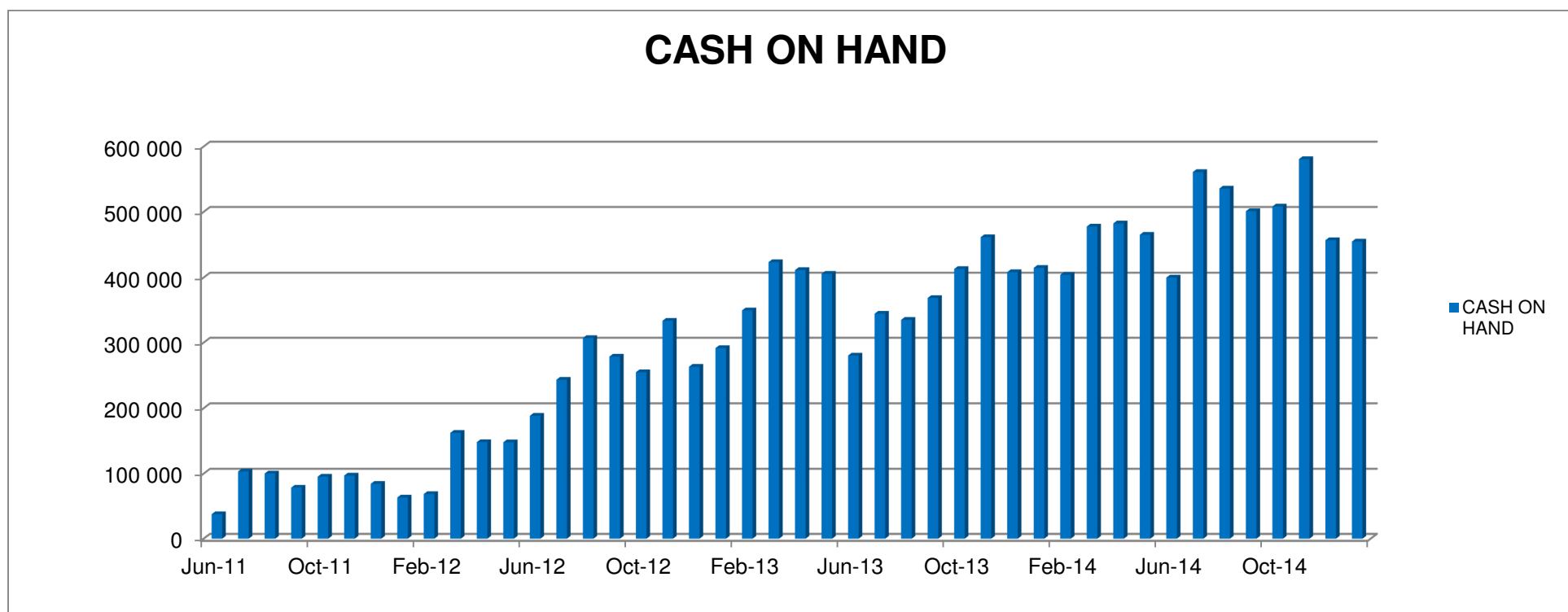
The calculation for the above ratio is as follows: $[(170\,589 - 103\,111) + 285\,000] / (2\,363\,247 - 182\,390 - 3\,050)/12]$ which currently sits at 1,94:1.

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 June 2011

Table:

	Jun-11	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	June-14	July-14	Aug-14	Sept-14	Oct-14	Nov-14	Dec-14	Jan-15
	R' 000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash On Hand	37 142	412 940	462 070	408 143	414 642	404 080	478 000	482 637	465 696	399 897	561 308	536 244	501 032	508 007	580 872	457 572	455 589



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

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	AMOUNT GAZETTED FOR SEPTEMBER 2014	AMOUNT GAZETTED FOR OCTOBER 2014	AMOUNT GAZETTED FOR NOVEMBER 2014	AMOUNT GAZETTED FOR DECEMBER 2014	AMOUNT GAZETTED FOR JANUARY 2015	TOTAL TO BE RECEIVED AS AT 31/01/2015	AMOUNT RECEIVED AS AT 31/01/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2015	% SPENT	COMMENTS
NATIONAL TREASURY													
Equitable Share	81 066 000	-	-	-	68 267 000	-	-	149 333 000	149 333 000	-	149 333 000	100%	
Municipal Infrastructure Grant	30 377 000	-	-	-	29 250 000	-	-	59 627 000	59 627 000	-	66 060 817	111%	This expenditure is as per claims submitted to COGTA
Municipal Systems Improvement Grant	-	930 000	-	-	-	-	-	930 000	930 000	-	213 847	23%	
Financial Management Grant	1 600 000	-	-	-	-	-	-	1 600 000	1 600 000	-	800 788	50%	
Municipal Water Infrastructure Grant	-	4 712 000	-	9 426 000	-	-	4 712 000	14 138 000	14 138 000	-	6 196 691	44%	
Water Services Operating Subsidy	-	3 500 000	-	7 000 000	-	-	3 500 000	10 500 000	10 500 000	-	5 503 573	52%	
Integrated National Electrification Grant	5 775 000	2 225 000	-	-	-	-	-	8 000 000	8 000 000	-	15 175 751	190%	Expenditure was incurred in the 2013/2014 financial year.
Rural Households Infrastructure Grant	2 000 000	-	-	-	2 500 000	-	-	4 500 000	-	4 500 000	-	0%	Advised by National Treasury delays have been experienced. Transfer to take place soon.
Extended Public Works Programme	-	758 000	-	-	569 000	-	-	1 327 000	1 327 000	-	759 415	57%	
Infrastructure Skills Development Grant	4 036 000	-	-			-	3 964 000	8 000 000	8 000 000	-	4 123 107	52%	The 2013/2014 grant was over-spent by R989 400. This expenditure has been recovered from the 2014/2015 allocation.
TOTAL NATIONAL TREASURY GRANTS	124 854 000	12 125 000	-	16 426 000	100 586 000	-	12 176 000	257 955 000	253 455 000	4 500 000	248 166 987	98%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	AMOUNT GAZETTED FOR SEPTEMBER	AMOUNT GAZETTED FOR OCTOBER	AMOUNT GAZETTED FOR NOVEMBER	AMOUNT GAZETTED FOR DECEMBER	AMOUNT GAZETTED FOR JANUARY 2015	TOTAL TO BE RECEIVED AS AT 31/01/2015	AMOUNT RECEIVED AS AT 31/01/2015	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2015	% SPENT	COMMENTS
PROVINCIAL TREASURY													
Provincialisation of Libraries	-	-	6 080 000	-	-	-	-	6 080 000	6 080 000	-	9 432 835	0%	The SLA has not been finalised. Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	-	-	756 000	-	-	-	-	756 000	756 000	-	432 440	57%	The SLA has not been finalised. Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Libraries for the period.
Housing Operating Account	1 073 120	-	-	6 202 880	-	-	-	1 073 120	1 073 120	-	5 921 631	552%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	299 000	-	-	-	-	299 000	-	299 000	952 190	0%	Grant funding expected in August 2014. Expenditure shown is the total operating cost of the Museum.
Clinic Services	-	-	7 290 300	-	-	-	-	7 290 300	-	7 290 300	13 388 993	0%	The SLA has not been finalised. Grant funding expected in August 2014. Expenditure shown is the total operating cost of the clinics for the period.
Informal Traders	-	-	-	-	-	-	-	-	3 000 000	(3 000 000)	2 646 094	88%	Funds were to be received in 2013/2014 financial year. Only received in August 2014
Tourism Development	-	-	-	-	-	-	-	-	3 000 000	(3 000 000)	-	0%	Funds were to be received in 2013/2014 financial year. Only received in August 2014
TOTAL PROVINCIAL TREASURY GRANTS	1 073 120	-	14 425 300	6 202 880	-	-	-	15 498 420	13 909 120	1 589 300	32 774 182	236%	
TOTAL GRANTS AND SUBSIDIES	125 927 120	12 125 000	14 425 300	22 628 880	100 586 000	-	12 176 000	273 453 420	267 364 120	6 089 300	280 941 169	105%	

3.3 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 31 January 2015 (48,37%):

FUNCTION	ADOPTED BUDGET 2014/2015	REVISED ADOPTED BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL JAN 2015 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Executive and Council	211 300	211 300	188 600	315	0.15%	0%
Budget and Treasury Office	5 463 900	5 065 500	(839 577)	1 778 474	35.11%	0%
Corporate Services	47 487 200	45 100 400	34 559 799	23 235 955	51.52%	67%
Community and Social Services	26 937 700	24 227 700	17 230 100	8 040 735	33.19%	47%
Sport and Recreation	32 162 000	20 801 500	21 292 718	3 367 183	16.19%	16%
Public Safety	27 662 500	26 235 100	18 349 064	8 024 728	30.59%	44%
Housing	22 441 700	21 888 500	15 300 000	6 022 945	27.52%	39%
Health	8 115 000	8 033 900	5 154 200	3 711 516	46.20%	72%
Planning and Development	168 000	107 400	35 000	45 616	42.47%	130%
Road Transport	20 607 100	20 357 500	13 762 700	12 795 846	62.86%	93%
Electricity	56 030 600	44 893 200	34 470 259	26 003 652	57.92%	75%
Water	88 124 800	84 623 800	46 209 494	53 751 528	63.52%	116%
Waste Water Management (Sanitation)	79 451 700	76 668 500	46 520 016	38 061 901	49.64%	82%
Waste Management (Solid Waste)	4 998 300	4 998 400	1 378 000	502 196	10.05%	36%
TOTAL	419 861 800	383 212 700	253 610 373	185 342 590	48.37%	73%

The Adopted Budget of R419 861 800 has decreased by R36 649 100 to a Draft Adjustment Budget amount of R383 212 700. This decrease is due to projects that were rolled-over from 2013/2014 to the 2014/2015 financial year with the anticipation that these projects were to be spent in the 2014/2015 financial year. However, a portion of these projects were spent in the 2013/2014 financial year thus reducing the available funds for the 2014/2015 financial year.

Budget and Treasury Office

An amount of R 4,6 million has been earmarked for the Standard Chart of Accounts. This project has commenced and funding will be re-allocated to the operating budget during the adjustment budget processes, the capital budget will therefore be reduced.

The table below sets out the capital budget and expenditure for the function, Community and Social Services and Public Safety:

DESCRIPTION	ADOPTED BUDGET 2014/2015	REVISED ADOPTED BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL JAN 2015 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Cemetaries	2 100 000	2 100 000	2 100 000	10 770	1%	1%
Community Halls	6 722 300	5 862 700	4 685 000	2 414 699	41%	52%
Libraries	9 387 900	9 187 400	5 465 400	3 557 861	39%	65%
Museums	19 000	7 200	19 000	1 295	18%	0%
Municipal Buildings	5 166 700	7 070 400	2 460 700	848 615	12%	34%
Commuter Facilities	3 541 800	-	2 500 000	1 239 165	0%	50%
COMMUNITY AND SOCIAL SERV	26 937 700	24 227 700	17 230 100	8 072 405	33%	47%
Fire	16 538 900	15 282 300	11 997 000	3 211 123	21%	27%
Traffic	-	98 600	-	86 342	88%	0%
Security Services	64 000	57 000	64 000	18 347	32%	0%
Street Lighting	11 059 600	10 797 200	6 288 064	4 691 646	43%	75%
PUBLIC SAFETY	27 662 500	26 235 100	18 349 064	8 007 458	31%	44%

The total adopted capital budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2014/2015	REVISED ADOPTED BUDGET 2014/2015	ACTUAL JAN 2015 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT
External Loans	144 191 000	131 746 000	55 389 121	42.04%
Capital Replacement Reserve	104 458 300	97 323 100	35 025 974	35.99%
MIG	88 106 100	88 106 100	63 479 492	72.05%
Other National Government Grants	31 350 000	31 350 000	17 803 728	56.79%
Provincial Government Grants	37 764 800	25 877 200	7 536 712	29.12%
Public Contributions	11 182 000	7 407 400	5 344 254	72.15%
Reserves	2 809 600	1 402 900	763 309	54.41%
TOTAL	419 861 800	383 212 700	185 342 590	48.37%

The table below reflects a list of all tenders awarded in January 2015:

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/931	156359	Richards Bay Water Improvements Phase 1 - Portion 2: Water Pipeline Replacement and Remedial Works	15/01/2015	16 516 681,50	260/684/20 260/884/21 234/632/28	4 020 000,00 4 000 000,00 5 200 000,00
8/2/1/927	156817	Upgrade Of Ngwelezane Combi Courts	28/01/2015	Referred back to Evaluation Committee		
8/2/1/1023	157112	Upgrade Of Mzingazi Sportsfield	28/01/2015	480 693,00	224/432/01	0.00
8/2/1/1034	157377	Proposals For ICT Governance Review And Skills Transfer For The City Of uMhlathuze	28/01/2015	841 968,00	082/040/01	450 000,00
8/2/1/758	153943	Grass Cutting 11 KV and 132 KV For The Period 1 September 2013 To 31 August 2016	28/01/2015	Tender Cancelled		

3.4 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	% OF PRO- RATA BUDGET
Employee related costs	583 140 900	340 165 525	321 298 194	94%
Remuneration of Councillors	23 176 400	13 519 567	12 513 671	93%
Debt Impairment	3 050 000	1 779 167	1 779 167	100%
Depreciation and Offsetting of depreciation	182 389 600	106 393 933	106 393 876	100%
Finance Charges	77 614 000	45 274 833	45 274 833	100%
Bulk Purchases - Electricity	1 006 862 700	587 336 575	572 459 138	97%
Bulk Purchases - Water	89 639 700	52 289 825	81 800 214	156%
Other Materials	34 702 200	20 242 950	24 703 189	122%
Contracted Services	159 668 900	93 140 192	104 692 325	112%
Transfers and grants	13 749 100	8 020 308	3 054 069	38%
Other Expenditure	189 253 800	110 398 050	92 430 835	84%
TOTAL	2 363 247 300	1 378 560 925	1 366 399 511	99%

The above table represents operating expenditure per category incurred as at 31 January 2015.

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 did not operate during the month of July 2014 and August 2014. Included in Electricity purchases are the following amounts in terms of the Generation Purchase agreement with Mondi:

- July 2014 = R30 million
- August 2014 = R25 million
- September 2014 = R20 million
- October 2014 = R13 million
- November 2014 = R16 million
- December 2014 = R15 million
- January 2015 = R19 million

A corresponding increase in Revenue is apparent under Service Charges – Electricity.

Bulk Purchases – Water: A surcharge on Water amounting to R20,1 million was charged by Mhlathuze Water for water purchased as at 31 January 2015 as Council extracted more water than normal.

The executive committee resolved that in terms of council resolution dated 12 February 2015: *“Council approves the declaration of the City of uMhlathuze as a drought stricken area, the Water Conservation Plan and the Drought Management Plan (DMS 1016416) within the current financial year of 2014/2015 starting in January 2015, extending to the time when water source conditions have improved to acceptable levels as per the discussions in this report.”* The drought management plan indicates that council will be paying for surcharge during drought conditions

3.5 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	% OF PRO- RATA BUDGET
Rates	314 000 000	183 166 667	196 943 349	108%
Service Charges – Electricity revenue	1 385 000 000	807 916 667	826 908 882	102%
Service Charges – Water revenue	204 600 000	119 350 000	120 184 991	101%
Service Charges – Sanitation revenue	78 000 000	45 500 000	45 237 324	99%
Service Charges – Refuse revenue	62 000 000	36 166 667	35 698 151	99%
Service Charges – Other revenue	12 561 200	7 327 367	8 132 146	111%
Rental of facilities and equipment	8 233 800	4 803 050	8 306 662	173%
Interest earned – external investments	10 605 000	6 186 250	9 866 388	159%
Interest earned – outstanding debtors	1 542 000	899 500	944 295	105%
Fines	8 877 200	5 178 367	6 375 703	123%
Licences and permits	1 727 700	1 007 825	947 087	94%
Agency services	6 350 000	3 704 167	3 993 565	108%
Operating Grants and Subsidies	260 508 600	151 963 350	136 294 893	90%
Other Revenue	16 553 000	9 655 917	12 023 891	125%
TOTAL	2 370 558 500	1 382 825 792	1 411 857 327	102%

The above table represents operating revenue per category as at 31 January 2015.

3.6 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2014/2015			ACTUAL AS AT 31 JANUARY 2015		
	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	165 300	414 200	(248 900)	93 700	2 556 466	(2 462 766)
Budget and Treasury Office	335 480 400	1 348 600	334 131 800	213 855 355	(2 890 440)	216 745 795
Corporate Services	8 671 000	50 241 500	(41 570 500)	4 502 782	20 713 607	(16 210 825)
Community and Social Services	9 764 500	49 704 564	(39 940 064)	8 344 902	28 255 216	(19 910 314)
Sport and Recreation	2 310 600	117 103 688	(114 793 088)	3 686 061	67 170 764	(63 484 703)
Public Safety	9 727 300	113 527 700	(103 800 400)	6 869 988	63 670 547	(56 800 559)
Housing	8 226 100	15 312 900	(7 086 800)	3 858 823	7 880 495	(4 021 672)
Health	12 166 400	37 705 948	(25 539 548)	6 564 966	20 444 278	(13 879 312)
Planning and Development	1 411 800	38 151 300	(36 739 500)	1 148 693	20 407 989	(19 259 296)
Road Transport	10 883 500	156 143 900	(145 260 400)	6 130 366	89 967 106	(83 836 740)
Water (Portion of PMU funded by Rates & General Services)	2 505 350	5 617 050	(3 111 700)	24 821	3 012 853	(2 988 032)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	2 505 350	7 329 050	(4 823 700)	612 171	3 716 422	(3 104 251)
Total Rates and General Services	403 817 600	592 600 400	(188 782 800)	255 692 628	324 905 303	(69 212 675)
Airport	441 300	902 700	(461 400)	544 830	365 050	179 780
Trading Services						
Electricity	1 392 658 000	1 215 022 900	177 635 100	831 092 548	697 704 214	133 388 334
Water	287 304 800	318 264 600	(30 959 800)	155 813 010	214 315 463	(58 502 453)
Clarified Water	15 250 000	15 107 800	142 200	11 267 926	9 013 296	2 254 630
Sewerage	167 811 800	124 756 100	43 055 700	97 670 487	64 852 731	32 817 756
Refuse Removal	103 275 000	96 592 800	6 682 200	59 775 900	55 243 456	4 532 444
Total Trading Services	1 966 299 600	1 769 744 200	196 555 400	1 155 619 871	1 041 129 160	114 490 711
Total Service Category	2 370 558 500	2 363 247 300	7 311 200	1 411 857 329	1 366 399 513	45 457 816

NOTES:

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

3.7 Debtors Age Analysis

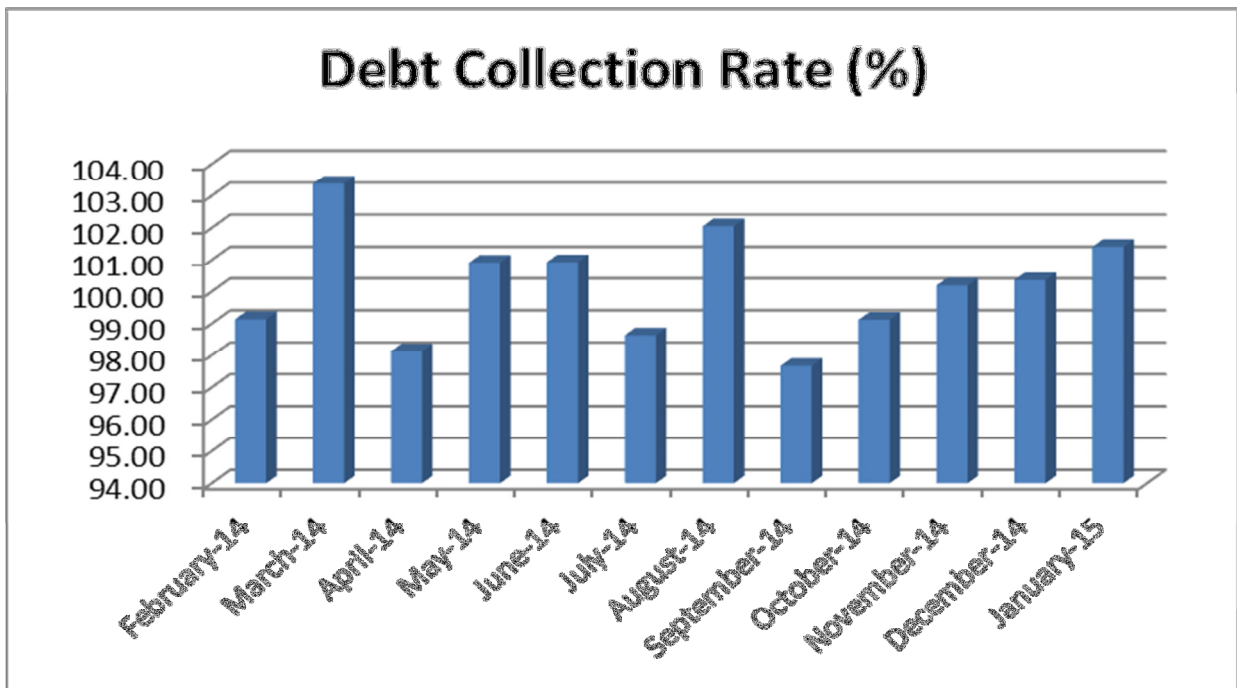
➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	5 516 266	2 970 390	54 852	4 900 604	13 442 112
Business	169 016 503	3 769 792	1 587 728	39 998 546	214 372 569
Households	45 079 452	2 555 387	2 148 317	41 163 066	90 946 222
Other	3 640 107	826 447	731 016	10 862 310	16 059 880
Total	223 252 328	10 122 016	4 521 913	96 924 526	334 820 783
%	66.68%	3.02%	1.35%	28.95%	

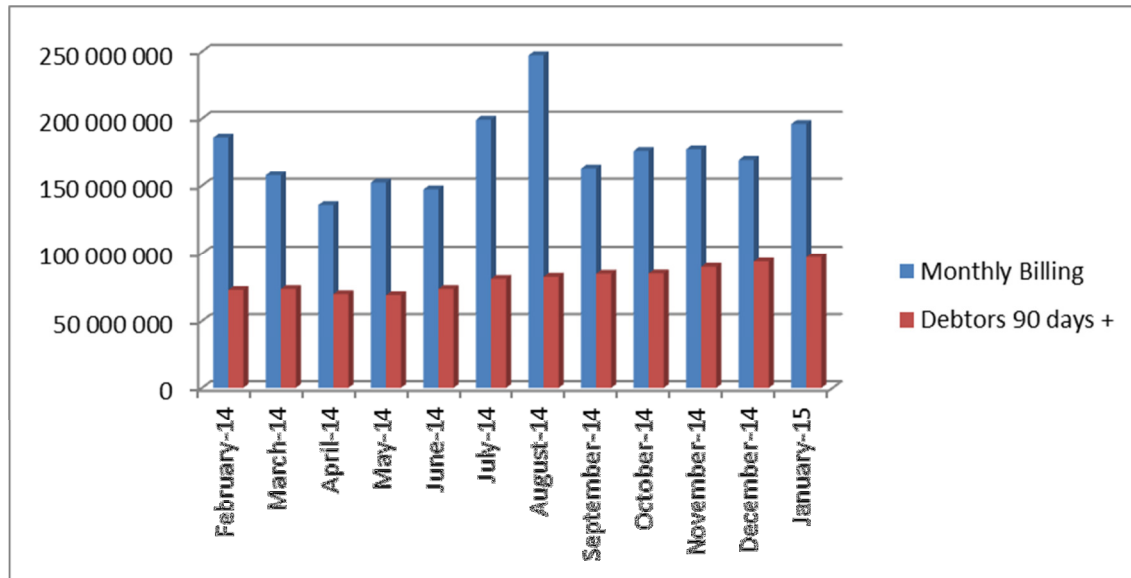
➤ **Debt Collection Rate**

The debt collection rate for the previous 12 months is as follows:

DEBT COLLECTION RATE PER MONTH	PERCENTAGE %
January 2015	101.41
December 2014	100.36
November 2014	100.19
October 2014	99.12
September 2014	97.67
August 2014	102.05
July 2014	98.64
June 2014	100.93
May 2014	100.91
April 2014	98.14
March 2014	100.72
February 2014	103.38
January 2014	99.14



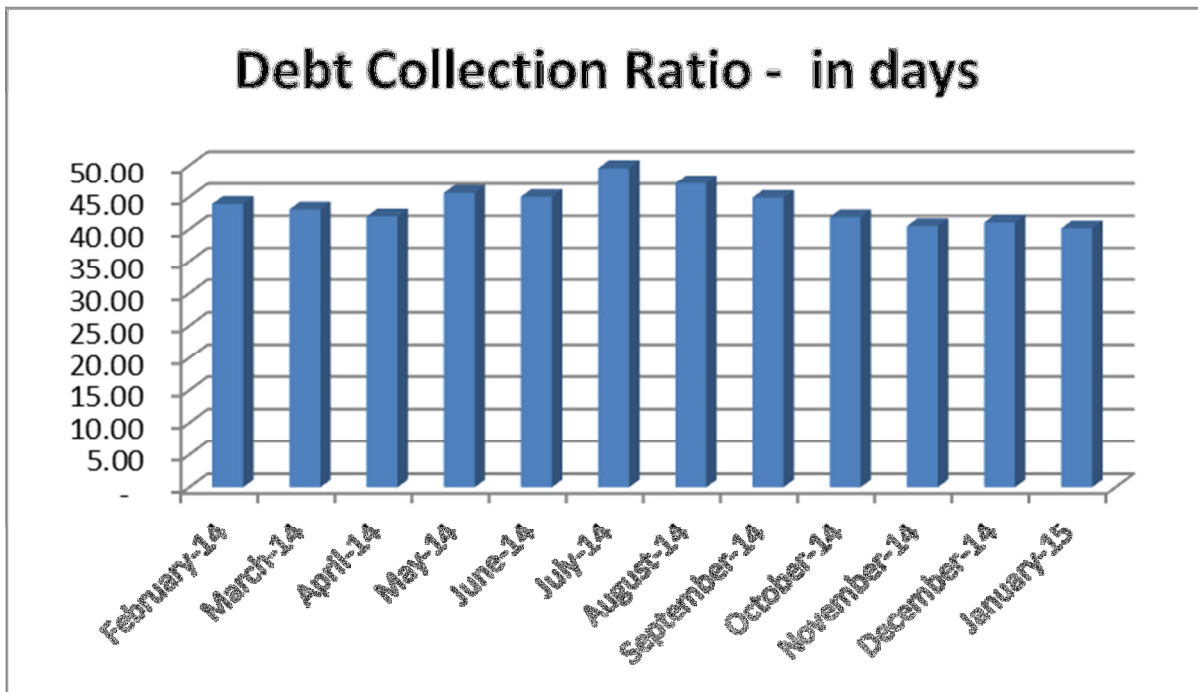
MONTH	MONTHLY BILLING	DEBTORS 90 DAYS +	PERCENTAGE %
January 2015	196 088 953	96 924 526	49.43%
December 2014	169 766 329	93 569 932	55.12%
November 2014	177 574 145	89 696 475	50.51%
October 2014	176 327 531	84 775 434	48.08%
September 2014	163 364 936	84 495 709	51.72%
August 2014	247 284 105	82 292 466	33.28%
July 2014	199 251 720	80 766 372	40.53%
June 2014	147 236 509	73 400 699	49.85%
May 2014	152 315 415	68 741 436	45.13%
April 2014	135 785 677	69 584 920	51.25%
March 2014	157 793 152	73 400 699	46.52%
February 2014	186 009 773	72 603 303	39.03%
January 2014	157 178 445	73 297 807	46.63%



Debt Collection Rate

The debt collection ratio in days should be below 60 days. If the ratio is at 60 days it means that your debt older than 30 days is equal to your monthly billing.

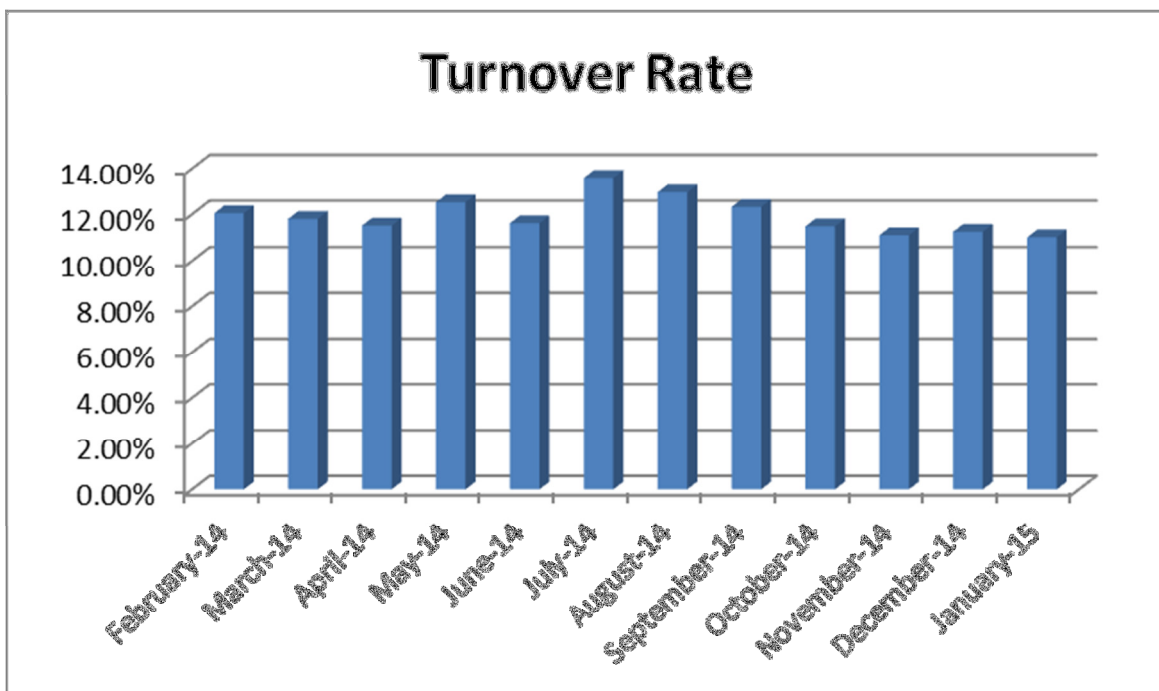
MONTH	COLLECTION IN DAYS
January 2015	40.18
December 2014	41.05
November 2014	40.52
October 2014	41.91
September 2014	44.93
August 2014	47.22
July 2014	49.59
June 2014	45.06
May 2014	45.66
April 2014	42.00
March 2014	43.09
February 2014	43.94
January 2014	41.93



Turnover Rate of Debtors (%)

In terms of the key performance indicators, the turnover rate should be below 20%. If everybody in town pays their debt fully, the turnover rate will be 8.33%. Council's turnover rate is listed below and it is better than the required key performance indicator.

MONTH	TURNOVER RATE
January 2015	11.01%
December 2014	11.25%
November 2014	11.10%
October 2014	11.48%
September 2014	12.31%
August 2014	12.94%
July 2014	13.59%
June 2014	11.61%
May 2014	12.51%
April 2014	11.51%
March 2014	11.80%
February 2014	12.04%
January 2014	11.49%



Summary of Credit Control Technical Actions Performed

DESCRIPTION	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
SMS Notification	6 354	9 501	7 883	6 533	9 835	8 024	6 238
SMS Notification - IT & S	-	-	24 493	5 717	167 523	108 600	35 026
Final Request - Residential	3 399	3 387	3 832	4 477	3 083	3 265	2 123
Final Request - Business	365	252	329	480	187	268	202
Electricity Disconnection Level 1 (Switch Off Supply)	92	130	114	127	163	127	114
Electricity Disconnection Level 2. Remove Circuit Breaker	7	-	3	7	3	2	2
Illegal Consumption Inspection (Water or Electricity)	835	1 060	1 266	1 396	1 571	2 122	524
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	648	741	933	1 190	825	815	708
Water Restriction Level 2. (Install water pressure reducing valve)	17	9	17	10	18	14	3
Water Disconnection (Business accounts)	68	24	24	33	26	13	23
Finals (New Consumers, moving in or out, readings taken, disconnected/reconnected)	243	267	188	182	146	167	156

➤ **Comments for Government Accounts**

The arrears 90 days+ for government accounts is restricted to just a few accounts on which there are either a dispute regarding ownership or the property is not verified yet by respective departments. The high amount in the current column is due to the annual rates being charged in July every year.

TOP 10 GOVERNMENT ACCOUNTS			
ACCOUNT NUMBER	NAME OF DEPARTMENT	TOTAL	COMMENTS
		R	
392615	Department of Health	8 473 197.00	Primary Health Grant. There has been follow up correspondence from the department and payment is expected soon.
1552325	RSA (Dept of Public Works)	483 939.32	This is the property on which the Municipal Water Reservoir at Esikhaleni is situated and also includes the forest area surrounding it. The account / charges are under investigation
38519	RSA (Dept of Public Works)	257 197.24	Invoices submitted, payment pending
993567	Dept of Public Works	229 877.59	Under investigation/verification by the dept. Property in Ngwelezane
1317057	Dept of Public Works	176 827.62	Invoices submitted, payment pending
1552318	RSA (Dept of Public Works)	157 838.92	Under investigation/verification by the dept
1991812	Province of KZN	134 559.38	Rates in respect property on which a municipal pumpstation is situated. Account under investigation / verification
1016966	Dept of Public Works	128 598.64	Invoices submitted, payment pending
893918	Dept of Education	43 327.88	Invoices submitted, payment pending
40927	Administrator Natal	59 142.50	Invoices submitted, payment pending
1009849	Dept of Public Works	36 391.33	Vacant Property, Ngwelezane. Property under investigation / verification by Department.

➤ **The Top 10 Arrear Business Accounts**

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	22 092 483	22 795 590	Basfour 3721 (Pty) Ltd / Indlow Dev Trust Trustees is the account for some of the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate. The developer is currently disputing the amount. The matter has been handed over to Council's attorneys. Summons has been issued and the case is defended. The setting down of the court date by the Registrar of the High Court is awaited.
1929003	Zotec development (Pty) Ltd	4 012 360	4 012 360	Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Security Estate. The matter is set down for Arbitration
1623456	Richards Bay IDZ	3 788 017	3 788 017	Richards Bay IDZ is in respect of the rental charged to the IDZ for the vacant site that they fenced in but did not utilise. The monthly rental was stopped, the outstanding balance is included in the sale price and should accordingly be written back
483703	Zululand Chamber of Business Foundation	4 112 860	4 768 064	Zululand Chamber of Business Foundation is for rental charged. The matter is currently also in dispute in court and awaiting a court date. A separate report is being submitted by Legal Section with proposals to settle the matter. RPT 157039
1610626	Tisand (Pty) Ltd	2 248 659	2 481 554	Tisand (Pty) Ltd is in respect of the water surcharge being levied against the debtor. The matter is under dispute and is with Council's attorneys.
416383	River Rock Invest (Pty) Ltd	1 153 537	1 358 608	River Rock Investments is in respect of unpaid charges in respect of rental that are under dispute. Matter still under consideration by legal services. They are paying their monthly charges excluding the disputed charge

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
392020	River Rock Invest (Pty) Ltd	560 070	1 229 135	River Rock Investments is in respect of unpaid charges in respect of rates that are under dispute. Matter still under consideration by legal services. They are paying their monthly charges excluding the disputed charge
1941346	Mcclelland Prop Dev	717 039	807 787	The account is in respect of rates and basic services to an industrial property behind the Ngwelezane Hospital. The property previously belonged to Ithala. There is a dispute between the new owner and Ithala because it appears as if a large portion of the property was incorrectly deemed to be part of the traditional area and several private houses were constructed on the property, even over the property's access to the main road. The matter is currently under discussion with the debtor and his attorneys. The debtor now wants to settle the account in installments and final agreement on the terms are being negotiated. The debtor failed to respond to finalise this matter and the account is now handed over to Council's attorneys
1929028	PSE Development Initiatives (Pty) Ltd	629 149	629 149	PSE Dev Initiatives refers to an account for contribution charges after the development of certain low cost housing initiatives around Ngwelezane. The debtor paid R300 000 towards the debt and requested some leniency for the balance. A separate report will serve in this regard.
2024857	Sugarberry Trading	339 001	351 186	The account is for the contract for litterbin advertising. The details of this debt was reported continuously in the quarterly report from the department. It was resolved that the contract be cancelled and the account handed over to Council's attorneys for collection. This process is under way.

3.8 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 R174 797.62 as per **Annexure AB - DMS 1019432**.

Councillor's debt amounts to R8 572.44 as per **Annexure AC - DMS 1019432**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES – FOR ENTIRE MUNICIPALITY

The Chief Financial Officer will highlight what he deems are important observations on the operating expenditure in this Section, where after Departments will provide specific comment on their own sections.

It is very important for Council and the Administration to understand that although the liquidity situation is improving and there is a surplus on the current figures, expenditure has to take place in accordance with the approved budget. **If not, the objective of attempting to create internal reserves for future Capital Expenditure from accumulated cash reserves is not going to materialise.**

4.1 Employee related costs

Although total employee related expenditure is within budgetary limits, overtime expenditure has marginally exceeded its budgetary limits. Below is a table indicating overtime expenditure at the request of Council, which allows this expenditure to be monitored and managed on a monthly basis.

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R'000	R'000	R'000	R'000	%
Overtime	30 740 100	17 931 725	20 249 382	(2 317 657)	113%

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

EMPLOYEES	JULY 2014		AUGUST 2014		SEPTEMBER 2014	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	25 402	731	29 857	728	24 802	710
Temporary	2 150	105	416	33	530	35
	27 552	836	30 272	761	25 332	745

EMPLOYEES	OCTOBER 2014		NOVEMBER 2014		DECEMBER 2014	
	Total Hours	Total Employees	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	30 387	768	31 979	768	25 529	732
Temporary	1 034	108	210	106	139	15
	31 421	876	32 189	874	25 668	747

EMPLOYEES	JANUARY 2015	
	Total Hours	Total Employees
Permanent	30 387	768
Temporary	1 034	108
	31 421	876

Planned Repairs and Maintenance programmes should be standard practice for both infrastructure and movable assets such as Plant and Vehicles.

The table below represents the expenditure incurred on overtime for each department for the month January 2015. The relevant departments have supplied the comments for the over-expenditures incurred on overtime.

DEPARTMENT	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
City Development	-	-	-	-	0%
Community Services	15 714 000	9 166 500	10 751 651	(1 585 151)	117%
Corporate Services	249 400	145 483	285 716	(140 233)	196%
Financial Services	114 200	66 617	54 541	12 076	82%
Infrastructure and Technical Services	14 662 500	8 553 125	9 160 474	(607 349)	107%
Office of the Municipal Manager	-	-	-	-	0%
Total	30 740 100	17 931 725	20 252 382	(2 320 657)	113%

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 Volume of Transfers

Council has only commenced the financial year – and during the months July to January a total of 270 transfers of funds forms have been received by the budget office from the departments. Over the previous financial years the excessive use of the Virement Policy (transfer of funds), it is anticipated that the number and value of transfers will increase as the year progresses. This practice is a risk to proper planning and service delivery. Departments are therefore urged to refrain from this practice. Unnecessary and nice-to-have items should be avoided at all costs. Managers and Deputy Municipal Managers should scrutinise the transfers that are received for approval.

Type of Transfer of Funds	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	Total Number of Transfers
Capital	10	20	16	9	29	19	2	105
Operating	13	27	25	27	32	33	8	165
Total	23	47	41	36	61	52	10	270

The table below reflects the value of transfer of funds per department:

Department	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	Total Value of Transfers
Corporate Services	30 900	290 100	179 000	547 800	967 000	52 700	13 000	2 080 500
Community Services	133 300	306 000	1 187 200	455 500	578 400	146 500	26 300	2 833 200
Office of The Municipal Manager	1 100	-	-	-	25 000	110 000	25 000	161 100
City Development	-	312 000	8 600	3 000	-	60 000	7 000	390 600
Financial Services	-	11 200	4 094 100	261 100	300	-	5 800	4 372 500
ITS - Electrical Supply Services	65 600	3 817 000	472 100	804 700	329 100	-	-	5 488 500
ITS - Engineering Support Services	130 600	50 200	1 025 900	-	2 000	-	-	1 208 700
ITS - Roads and Stormwater	830 000	1 586 800	12 000	92 400	309 900	904 000	-	3 735 100
ITS - Water and Sanitation Services	97 000	212 500	620 000	537 000	447 400	2 123 900	34 700	4 072 500
Total	1 288 500	6 585 800	7 598 900	2 701 500	2 659 100	3 397 100	111 800	24 342 700

4.3 Capital Transfers

The table below reflects all the capital transfers received to date. In terms Section 5.12 – 5.14 of the Virement policy (**RPT 147986 - DMS 635065**) the capital transfers listed below must be approved by Council:

DEPARTMENT	CAPITAL VOTE TRANSFER FROM	CAPITAL VOTE TRANSFER TO	AMOUNT	RPT/COUNCIL RESOLUTION NUMBER
City Development	213/544/01	282/536/88	52 000	Report Pending
City Development	213/544/01	282/536/88	8 600	Report Pending
Community Service - Health and Public Safety	205/532/11	282/536/93	13 500	Report Pending
Community Service - Health and Public Safety	205/536/41	205/536/45	50 000	RPT 157037
Community Service - Health and Public Safety	205/536/41	205/544/03	25 000	RPT 157037
Community Service - Health and Public Safety	205/536/47	205/536/33	1 000	Report Pending
Community Service - Health and Public Safety	208/536/02	208/532/06	40 000	RPT 157037
Community Service - Health and Public Safety	208/536/02	282/536/87	27 000	RPT 157037
Community Service - Health and Public Safety	209/536/04	282/532/32	14 000	Report Pending
Community Service - Health and Public Safety	209/536/05	206/544/02	5 000	Report Pending
Community Service - Health and Public Safety	209/536/05	219/532/172	25 000	Report Pending
Community Service - Health and Public Safety	210/532/05	219/632/53	7 000	RPT 157037
Community Service - Health and Public Safety	212/532/04	206/532/01	93 600	RPT 157037
Community Service - Health and Public Safety	212/532/04	271/500/322	38 000	RPT 157037
Community Service - Health and Public Safety	233/532/12	233/544/01	13 300	Report Pending
Community Service - Health and Public Safety	233/532/12	271/500/343	900 000	RPT 157037
Community Service - Health and Public Safety	233/532/14	282/536/90	67 600	RPT 157037
Community Service - Health and Public Safety	233/536/15	233/536/01	15 000	RPT 157037
Community Service - Health and Public Safety	233/536/16	233/536/01	24 000	RPT 157037
Community Service - Health and Public Safety	233/536/17	208/536/02	24 600	RPT 157037
Community Service - Health and Public Safety	233/536/17	282/536/45	16 400	RPT 157037
Community Service - Health and Public Safety	271/500/335	233/544/01	8 700	Report Pending
Community Services - Recreational and Environmental Services	204/544/09	282/532/31	2 000	Report Pending
Community Services - Recreational and Environmental Services	204/632/03	273/6936/02	22 500	RPT 157037
Community Services - Recreational and Environmental Services	204/632/06	204/632/08	30 000	RPT 157037
Community Services - Recreational and Environmental Services	223/532/03	219/532/162	105 000	RPT 157037
Community Services - Recreational and Environmental Services	224/532/21	224/510/0	10 000	RPT 157037
Community Services - Recreational and Environmental Services	224/632/18	224/632/24	10 000	RPT 157037

DEPARTMENT	CAPITAL VOTE TRANSFER FROM	CAPITAL VOTE TRANSFER TO	AMOUNT	RPT/COUNCIL RESOLUTION NUMBER
Community Services - Recreational and Environmental Services	224/632/19	224/610/0	10 000	RPT 157037
Community Services - Recreational and Environmental Services	224/632/22	224/610/0	20 000	RPT 157037
Community Services - Recreational and Environmental Services	224/632/26	224/610/0	1 000	RPT 157037
Community Services - Recreational and Environmental Services	227/532/17	227/536/04	11 200	RPT 157037
Community Services - Recreational and Environmental Services	242/532/38	242/532/41	2 200	RPT 157037
Corporate Services - Administration	216/632/23	216/632/18	70 000	RPT 156884
Corporate Services - Administration	282/536/77	271/500/344	222 600	Report Pending
Financial Services	240/532/06	219/5328/46	161 000	Report Pending
Financial Services	240/532/06	240/532/08	3 800 000	Report Pending
Financial Services	240/532/06	282/536/89	8 000	Report Pending
Financial Services	240/532/06	282/536/91	228 000	Report Pending
Financial Services	242/532/38	242/532/33	2 200	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/632/02	250/644/0	21 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	250/632/03	250/644/0	5 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	250/636/02	250/644/0	9 800	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/532/26	255/536/15	2 400	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/536/12	255/536/15	10 800	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	219/632/52	300 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	219/632/53	400 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	255/632/57	219 900	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	255/636/11	100 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	272/644/0	50 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/632/53	219/632/51	3 400	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/672/30	255/672/24	290 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/672/31	255/672/35	40 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/672/31	255/672/35	10 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/872/14	255/872/12	759 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	255/872/14	255/872/13	2 000 000	RPT 157231
Infrastructure and Technical Services - Electrical Supply Services	270/650/38	270/650/39	71 500	RPT 157231
Infrastructure and Technical Services - Engineering Support Services	219/532/140	219/532/160	4 500	RPT 157038

DEPARTMENT	CAPITAL VOTE TRANSFER FROM	CAPITAL VOTE TRANSFER TO	AMOUNT	RPT/COUNCIL RESOLUTION NUMBER
Infrastructure and Technical Services - Engineering Support Services	219/532/94	219/532/160	6 000	RPT 157038
Infrastructure and Technical Services - Engineering Support Services	219/632/94	219/532/160	6 000	RPT 157038
Infrastructure and Technical Services - Engineering Support Services	238/536/06	219/532/160	10 000	RPT 157038
Infrastructure and Technical Services - Transport, Roads and Stormwater	022/297/0	219/510/0	6 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	022/297/0	219/610/0	8 200	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	022/297/0	271/510/0	45 800	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	022/297/0	271/510/0	50 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	068/297/0	271/510/0	40 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	219/532/92	022/046/0	6 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	219/632/58	022/046/0	8 200	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/536/03	219/532/92	10 000	RPT 157075
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/55	219/632/56	293 000	RPT 157075
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/76	222/672/72	406 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/81	222/672/82	140 000	RPT 157075
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	022/124/0	45 800	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	022/220/a4	50 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	068/158/0	40 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	222/516/02	150 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	270/550/128	1 000 000	RPT 157075
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/600/117	270/600/02	48 000	RPT 157075
Infrastructure and Technical Services - Water and Sanitation	234/544/01	282/536/62	39 500	Report Pending
Infrastructure and Technical Services - Water and Sanitation	234/632/24	234/632/11	175 400	Report Pending
Infrastructure and Technical Services - Water and Sanitation	234/632/25	234/632/24	100 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	234/632/28	234/632/27	400 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	243/536/03	271/500/345	240 000	RPT 157037
Infrastructure and Technical Services - Water and Sanitation	255/672/18	255/672/34	403 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	260/684/19	222/672/84	1 800 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	260/684/19	249/684/01	1 700 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	274/536/0	219/532/80	11 600	Report Pending
Infrastructure and Technical Services - Water and Sanitation	274/536/0	274/532/02	16 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	287/536/01	274/536/07	104 000	Report Pending
			17 840 800	

It is important to note that all the transfers indicated in the table above have been taken into account in the 2014/15 Adjusted Budget Report that was approved by the Executive Committee on 12 February 2015.

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					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 947 200	1 135 867	1 478 854	(342 987)
006	Traffic	3 126 600	1 823 850	1 824 259	(409)
009	Clinic	31 800	18 550	122 317	(103 767)
029	Commuter Facilities	73 500	42 875	70 755	(27 880)
032	Street Cleaning	4 426 900	2 582 358	3 153 651	(571 293)
033	Refuse Removal	4 050 400	2 362 733	2 626 927	(264 194)
037	Public Conveniences	141 600	82 600	93 190	(10 590)
Total		13 798 000	8 048 833	9 369 953	(1 321 120)

□ **Vote 005 – Fire Brigade**

The overtime over-expenditure incurred by the Fire Department was due to number of fire and rescue incidents received and shift shortages due to 20 staff vacancies as well as a lot of emergency calls and that caused over-expenditure. The overtime over-expenditure incurred by the Fire Brigade is due to uThungulu Last Dance, New Year's Eve standbys and 4 x Public Holidays and Sundays.

□ **Vote 006 – Traffic**

The overtime for the financial budget is R 3,126,600.00. Divided between 12 months = R 260,550.00. For the month of December 2014, the projected planned overtime amounted to R 298,529.88. However the actual overtime for the month is R 168,113.73. This was due to the 2 alternate weekends worked by the Traffic officers, Traffic Wardens and Bylaw Enforcers including the shift supervisors. Adding to the over expenditure, the officers attend to various call outs, such as accidents and obstructions, whilst performing standby duties (unplanned overtime). For the month of December the staff members worked the public holidays, 16th Day of Reconciliation, 25th Christmas and the 26th Day of Goodwill whereby members are remunerated on double time. The 31 December 2014 unplanned overtime was also worked due to the New Years Eve event: Last Dance hosted at Veldenvlei sports ground.

NB: Kindly Note that the over expenditure is R 409.00.

□ **Vote 009 – Clinic**

Richards Bay Clinic extended its services in January 2014, which resulted in shift workers having to be paid for Public holidays as well as weekends. Due to an administrative error the shift workers did not receive their overtime in the previous financial year. Payment was made in July 2014. Furthermore a replacement contract worker is required when the contract worker is sick or on leave. This contributes to increased expenditure.

□ **Vote 029 - Commuter facilities, Vote 032 - Street Cleaning and Vote 037 - Public Conveniences**

In December and first two weekends of January Waste Management staff do not take leave, so all employees had to be at work, including holidays (16, 25, 26 December and 01 January 2015). Also from 16 December till 05 of January the overtime teams had to be doubled during weekends (Saturday and Sunday) in order to cope with influx during festive season and beginning of the year. This contributed to increase on expenditure on those votes. Although there was over expenditure, but all was planned and had to be done if we were to protect our environment as the Municipality. It be noted that there is no overtime worked during the week in this section and no abuse thereof. Budgeting for weekend and holidays needs to be in line with the demand, particular also that new business we are serving have to be serviced also during weekends (seven days a week).

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
002	Cemetery	729 500	425 542	495 417	(69 875)
016	Municipal Halls	60 500	35 292	50 119	(14 827)
024	Sport Development and Sports Field	203 400	118 650	129 844	(11 194)
027	Beach Facilities	400 000	233 333	284 783	(51 450)
042	Swimming Pools	455 600	265 767	382 732	(116 965)
073	Parks Distribution Account	67 000	39 083	38 802	281
Total		1 916 000	1 117 667	1 381 697	(264 030)

□ **Vote 002 – Cemetery**

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.

□ **Vote 016 – Municipal Halls**

The general routine of cleaning Halls is that if it happens to have two unavoidably big functions in succession i.e Wedding and the Funeral, staff is needed for cleaning. Spring cleaning was done over the weekend at the following offices Vulindlela, eSikhaleni and KwaHlanganani Treasury Offices in ensuring that standard of cleanliness is maintained in Municipal buildings and offices. Support had to be rendered at IDP meetings by transporting and providing chairs where necessary.

□ **Vote 24 - Sport Development and Sportsfield**

The overtime is due to the fact that out of 4 tractor drivers, only one was on duty. One tractor driver has retired, another one is in a process of medical boarding and is currently on light duty as per doctor's instruction and another one was on sick leave. One tractor driver could not do grass cutting in all sports field during working hours and had to be assisted with ride-on mowers and brush cutters on weekends.

□ **Vote 027 – Beach Facilities**

The warm weather experienced during this period resulted in public flocking to the beaches. Facilities being available 7 days a week, including the recent public holidays, resulted in the increased overtime expenditure. The Blue Flag Status awarded to the City also requires that staff be present at all times to ensure that the facility is kept to the required standard at all times and thus contributing to the over-expenditure.

□ **Vote 042 Swimming Pools**

The facilities are open 7 days a week and need staff for the general cleaning of the swimming pool as well as the area. More public are utilizing the pools during the festive season. In the previous years some incidence did occur at the pools due to inexperienced lifeguards to prevent this from happening, the permanent lifeguards also worked at the busy pools. Thus leading into over-expenditure on overtime.

□ **Vote 073 – Parks Distribution**

Most of the overtime done during this period was due to trucks being at the Mechanical Workshop long period of time. The department had trucks that had been standing at the Workshop for weeks and beyond, and that resulted in a backlog in collection of vegetation debris and overtime was schedule improve or clear vegetation debris as per our operational requirements.

5.2 Corporate Services

5.2.1 Overtime

CORPORATE SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ADMINISTRATION					
001	Administration	65 000	37 917	222 454	(184 537)
030	Council General Expenditure	85 600	49 933	34 012	15 921
078	Printing and Photocopying	42 000	24 500	26 249	(1 749)
082	IT Services	56 800	33 133	-	33 133
Total		249 400	145 483	282 715	(137 232)

□ Vote 001 – Administration

Reasons for Overtime over expenditure at the Call Centre in January 2015:

1. Call Centre normal shifts include Sundays which is treated as overtime at 0.5 rate.
2. Three (3) staff members were standing in for 2 Call Centre Operators who took leave.

□ Vote 078 – Printing and Photocopying

Overtime in the Committee Section remains a constant given. While applying the e-Councillor project may have created an impression of cutting down on overtime by reducing deliveries, the real savings are mainly in terms of printing and copying and reducing paper copies. Memory sticks continue to be the main vehicle for the delivery of Council, Executive Committee and Portfolio agendas due to the size thereof. This means that the Department has no choice but to revert back to delivering memory sticks or hard copies for even the smallest of agendas in order that Councillors receive notices for meetings.

5.3 **Financial Services**

5.3.1 **Overtime**

FINANCIAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	34 400	20 067	-	20 067
066	Supply Chain Management Unit	79 800	46 550	54 541	(7 991)
Total		114 200	66 617	54 541	12 076

□ **Vote 066 – Supply Chain Management Unit**

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. 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 Infrastructure and Technical Services

5.5.1 Overtime

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ELECTRICAL SUPPLY SERVICES					
057	Electricity Marketing and Customer Service	50 000	29 167	22 887	6 280
072	Electricity Distribution	3 883 700	2 265 492	2 479 175	(213 683)
079	Traffic Technical Distribution	-	-	13 314	(13 314)
081	Electrical Planning & Dev	-	-	-	-
083	Electrical Support Services	51 400	29 983	75 350	(45 367)
Total		3 985 100	2 324 642	2 590 726	(266 084)

□ Vote 072 – Electricity Distribution

Electricity Supply Services overspent by 15% for the month of November with Operations and Maintenance at 12%. We didn't experience much of major faults during this month, however a lot of faults were attributed to single customer complains, faulty meters, LV cable faults etc. Load shedding was also a major contribution to this effect; Electricians did quite a lot of switching as per Eskom request/schedule. Most places meters went faulty due to surges experienced each time we restored power.

□ Vote 079 – Traffic Technical Distribution

As this is accumulative for the month of January there was no over-expenditure on overtime but for the previous months the sub-section had experienced quite a lot of traffic malfunctioning due to accidents over past weekends, which lead to overtime to countermeasure and prevent fatal occurrences but foremost a spread sheet will be created as guideline.

□ Vote 083 – Electrical Support Services

Electricity Support Services staffs are on standby for OPS and Maintenance, therefore we are overspent. At public lighting there was no planned or unplanned overtime since August 2014.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ENGINEERING SUPPORT SERVICES					
038	Engineering Support	-	-	7 733	(7 733)
067	Mechanical Services	607 100	354 142	297 288	56 854
Total		607 100	354 142	305 021	49 121

□ **Vote 038 – Engineering Support Services**

The GMS Section had two vacancies since May 2014 thus the increase in workload and the need to work overtime. The time sheets backlog needed to be rectified before the financial year end for ease of complying with the finance requirements.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
TRANSPORT, ROADS AND STORMWATER					
068	Roads and Stormwater	-	-	64 811	(64 811)
Total		-	-	64 811	(64 811)

□ **Vote 068 – Roads and Stormwater**

Provision was made in the 2013/2014 financial for overtime to be performed for urgent and critical matters. This overtime was worked in June 2014 and paid in July 2014 which caused an over-expenditure in July 2014.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL JAN 2015 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
WATER AND SANITATION SERVICES					
062	Scientific Services	23 800	13 883	24 353	(10 470)
074	Water & sewerage distribution	9 484 100	5 532 392	5 897 121	(364 729)
087	Sewerage & Pumpstations Distribution	562 400	328 067	278 442	49 625
Total		10 070 300	5 874 342	6 199 916	(325 574)

□ **Vote 062 Scientific Services**

Council approved the phased implementation of ISO 17025, CR5549. The Scientific Services currently has a ISO 17025 Project, with a set project plan, with CSIR. The Scientific Services personnel had to work overtime due to limited human resources and comprehensive daily activities, in order to keep to the project time plan.

□ **Vote – 074 Water and Sewerage Distribution**

A major contributing factor to the increasing hours of overtime is the ever increasing of the City's 'ageing' water and wastewater infrastructure. The less or no budget on Capital water & sewer replacement projects is steadily resulting in an increase in pipeline failures and breakdowns due to age. Another additional factor that contributes largely to increased overtime is that of continuous breakdown/failures experienced from Municipal Fleet. Most of the Council Fleet currently being utilized are old and more likely to mechanical failure i.e. if four vehicle are in workshop, therefore 16 people are redundant and all work that is supposed to be done during the day will only be done after hours by standby teams. The lack of capital expenditure to replace these vehicles is negatively impacting on the operational overtime budget. When Fleet is unavailable or in short supply, emergency water or sewer repair work can at most times be escalated to overtime. The other factor that contribute is the delivery of water to rural communities and to all areas affected by no water due to either pipe burst or water demand problems.

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

The following monthly budget statement tables (**DMS 1008494**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 January 2015.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 January 2015.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 January 2015.

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 January 2015.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 January 2015.

12. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 January 2015:

- ❑ 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**).

Actual capital expenditure which represents payments made during the reporting period, constitutes only 48,37% (R185,3 million) of the Draft Adjusted budget of R383 million. Refer to 3.3 above for capital budget summary.

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1021622 (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.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 January 2015, 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 1019428**), be noted.

ON CONCLUSION OF THE REPORT THE FOLLOWING MUST BE COMPLETED BEFORE SUBMITTING TO THE COMMITTEE SECTION:

I SENZO MNGOMEZULU declare that the information contained in this report is to the best of my knowledge properly researched with the information at my disposal and is correct and credible.

Report writer's signature	Head of Section's signature	Deputy Municipal Manager's signature
S MNGOMEZULU	H RENALD	M KUNENE
Name In Block Letters	Name In Block Letters	Name In Block Letters
Contact number:5315.....	Contact number:5091.....	Contact number:5090.....
Date :	Date :	Date :

Stop!!!! Committee section
will get MM's signature

Municipal Manager's signature
DR N J SIBEKO
Contact number: X 5023
Date :