

9855

## FINANCIAL REPORTING AS AT 30 NOVEMBER 2014

### PURPOSE

To submit to Council the financial position of the uMhlathuze Municipality as at 30 November 2014, 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"> <li>• Ensure GRAP compliance</li> <li>• Ongoing review of SCM policies and procedures</li> <li>• Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models</li> </ul>
2. Sustainable Financial Management	<ul style="list-style-type: none"> <li>• Improve internal communication on budget matters</li> <li>• Maintenance of fixed asset register</li> <li>• Credit control and debt collection</li> <li>• Compliant internal controls</li> <li>• Compliant grant reporting</li> <li>• Obtain targeted cash-backed statutory reserves</li> <li>• Development and appropriate training and assistance to employees</li> <li>• Identify and redress water and electricity tampering</li> </ul>

### 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 November 2014 is included under **Annexures Z and AA (DMS 1008495)**.

## **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 - November 2014**

The monthly budget statement summary (Table C1) for the month of November 2014 (year to date actual), shows a surplus of R41,6 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 R114,6 million (29,91%). This is based on the Draft Adjusted Capital Budget of R383 million. At the end of November 2014 an amount of R100,1 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 30 November 2014:

DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL NOV 2014 (YTD)	TARGET ACHIEVED
	R'000	R'000	R'000	%
Revenue (excluding capital grants)	2 370 558 500	987 732 708	1 014 722 659	103%
Expenditure	2 363 247 300	984 686 375	973 056 898	99%
	7 311 200	3 046 333	41 665 761	

As can be seen from the table above, Actual Surplus for the month ended 30 November 2014 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 30 NOVEMBER 2014	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL)/ SURPLUS AT 30 NOVEMBER 2014
	R'000	R'000	R'000	%
Conditional Grants and unspent loans	153 440 000	153 440 000	153 440 000	-
Workings Capital	427 432 000	191 729 000	383 458 000	43 974 000
Total (incl. investments)	580 872 000	345 169 000	536 898 000	43 974 000

#### **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 2,23:1 (427 432/191 729).

#### **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: [(245 872 – 153 440) + 335 000) / (2 363 247 -182 390 – 3 050)/12] which currently sits at 2,36:1.

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.

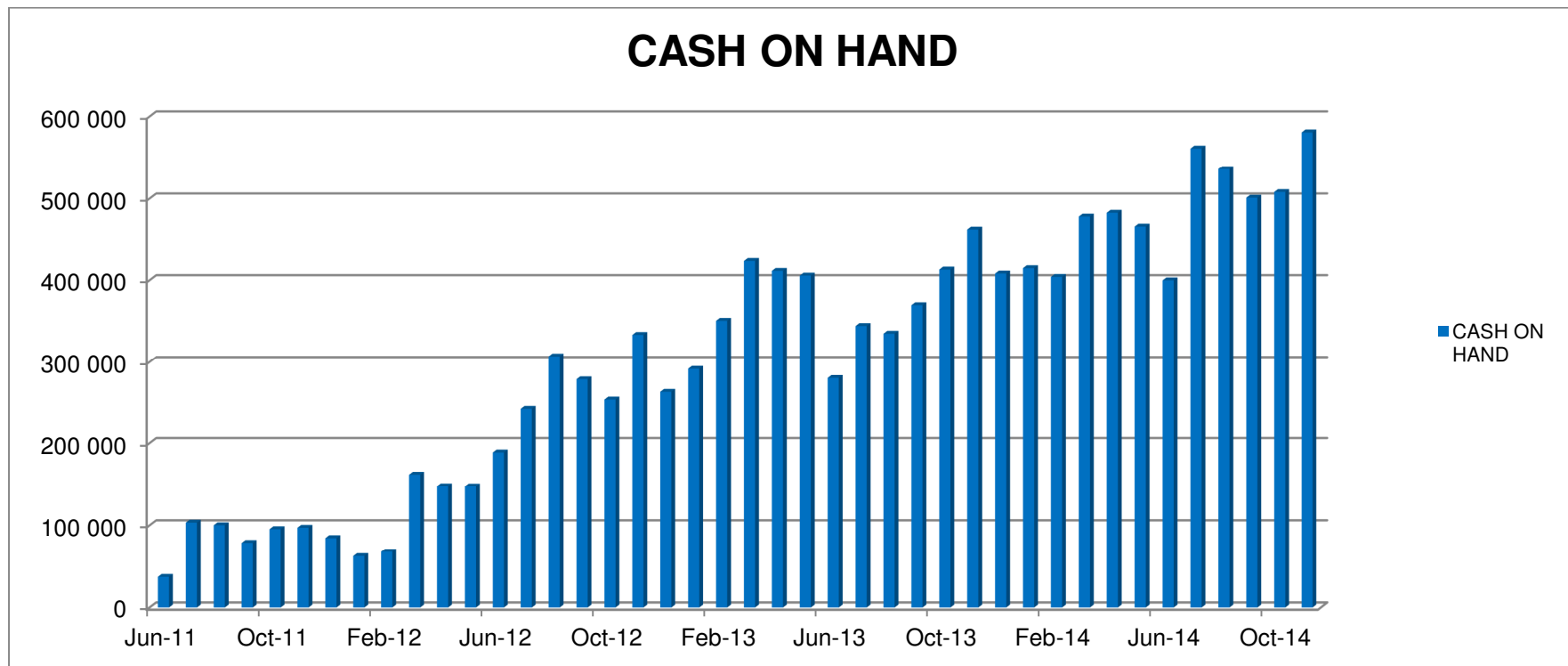
DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST 2014	AMOUNT GAZETTED FOR SEPTEMBER 2014	AMOUNT GAZETTED FOR OCTOBER 2014	AMOUNT GAZETTED FOR NOVEMBER 2014	TOTAL TO BE RECEIVED AS AT 30/11/2014	AMOUNT RECEIVED AS AT 30/11/2014	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/11/2014	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>											
Equitable Share	81 066 000	-	-	-	68 267 000	81 066 000	81 066 000	-	81 066 000	100%	
Municipal Infrastructure Grant	30 377 000	-	-	-	29 250 000	59 627 000	59 627 000	-	38 292 357	64%	This expenditure is as per claims submitted to COGTA
Municipal Systems Improvement Grant	-	930 000	-	-	-	930 000	930 000	-	186 594	20%	
Financial Management Grant	1 600 000	-	-	-	-	1 600 000	1 600 000	-	606 486	38%	
Municipal Water Infrastructure Grant	-	4 712 000	-	9 426 000	-	14 138 000	14 138 000	-	3 236 027	0%	
Water Services Operating Subsidy	-	3 500 000	-	7 000 000	-	10 500 000	10 500 000	-	2 939 377	0%	
Integrated National Electrification Grant	5 775 000	2 225 000	-	-	-	8 000 000	8 000 000	-	14 333 241	179%	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	-	454 194	34%	
Infrastructure Skills Development Grant	4 036 000	-	-			4 036 000	4 036 000	-	2 612 335	65%	The 2013/2014 grant was over-spent by R989 400. This expenditure has been recovered from the 2014/2015 allocation.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>124 854 000</b>	<b>12 125 000</b>	<b>-</b>	<b>16 426 000</b>	<b>100 586 000</b>	<b>185 724 000</b>	<b>181 224 000</b>	<b>4 500 000</b>	<b>143 726 611</b>	<b>79%</b>	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2014	AMOUNT GAZETTED FOR AUGUST	AMOUNT GAZETTED FOR SEPTEMBER	AMOUNT GAZETTED FOR OCTOBER	AMOUNT GAZETTED FOR NOVEMBER	TOTAL TO BE RECEIVED AS AT 31/10/2014	AMOUNT RECEIVED AS AT 30/11/2014	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/11/2014	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>											
Provincialisation of Libraries	-	-	6 080 000	-	-	6 080 000	6 080 000	-	5 316 796	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	-	303 838	40%	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	-	4 764 884	444%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	299 000	-	-	299 000	-	299 000	710 020	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	9 280 761	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
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>1 073 120</b>	<b>-</b>	<b>14 425 300</b>	<b>6 202 880</b>	<b>-</b>	<b>15 498 420</b>	<b>13 909 120</b>	<b>1 589 300</b>	<b>23 022 393</b>	<b>166%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>125 927 120</b>	<b>12 125 000</b>	<b>14 425 300</b>	<b>22 628 880</b>	<b>100 586 000</b>	<b>201 222 420</b>	<b>195 133 120</b>	<b>6 089 300</b>	<b>166 749 005</b>	<b>85%</b>	

### **Bank Balance Trend since June 2011**

**Table:**

	Jun-11	Aug-13	Sept-13	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
	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	334 581	368 944	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



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



### 3.3 Capital Budget Summary

The above table represents Capital Expenditure incurred as at 30 November 2014 (29.91%):

FUNCTION	ADOPTED BUDGET 2014/2015	DRAFT ADJUSTMENT BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL NOV 2014 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Executive and Council	211 300	211 300	92 700	315	0%	0%
Budget and Treasury Office	5 463 900	5 227 900	1 547 000	1 374 727	26%	89%
Corporate Services	47 487 200	45 154 800	33 140 100	10 833 576	24%	33%
Community and Social Services	26 937 700	23 320 600	11 977 400	6 232 055	27%	52%
Sport and Recreation	32 162 000	20 801 500	13 138 600	2 633 211	13%	20%
Public Safety	27 662 500	26 243 600	13 589 400	6 863 925	26%	51%
Housing	22 441 700	21 888 500	10 300 000	4 765 329	22%	46%
Health	8 115 000	8 052 900	3 819 200	162 096	2%	4%
Planning and Development	168 000	107 400	35 000	45 616	42%	130%
Road Transport	20 607 100	18 548 500	11 668 300	7 361 702	40%	63%
Electricity	56 030 600	44 940 100	26 349 200	23 497 877	52%	89%
Water	88 124 800	85 324 200	56 318 300	23 400 260	27%	42%
Waste Water Management (Sanitation)	79 451 700	78 401 700	35 711 500	27 289 284	35%	76%
Waste Management (Solid Waste)	4 998 300	4 989 700	1 528 000	153 410	3%	10%
<b>TOTAL</b>	<b>419 861 800</b>	<b>383 212 700</b>	<b>219 214 700</b>	<b>114 613 383</b>	<b>29.91%</b>	<b>52%</b>

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	DRAFT ADJUSTMENT BUDGET 2014/2015	CASH FLOW PROJECTED BUDGET (YTD) AS PER COMPONENT 5	ACTUAL NOV 2014 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT	% OF CASH FLOW PROJECTED BUDGET AS PER COMPONENT 5
Cemetaries	2 100 000	2 100 000	1 600 000	2 920	0%	0%
Community Halls	6 722 300	5 862 700	4 180 600	1 898 899	32%	45%
Libraries	9 387 900	9 189 400	2 408 000	2 716 997	30%	113%
Museums	19 000	7 200	19 000	1 295	18%	0%
Municipal Buildings	5 166 700	6 161 300	1 946 700	372 779	6%	19%
Commuter Facilities	3 541 800	-	2 000 000	1 239 165	0%	62%
<b>COMMUNITY AND SOCIAL SERVICES</b>	<b>26 937 700</b>	<b>23 320 600</b>	<b>12 154 300</b>	<b>6 232 055</b>	<b>27%</b>	<b>51%</b>
Fire	16 538 900	15 295 800	8 425 400	2 618 427	17%	31%
Traffic	-	93 600	-	82 047	88%	0%
Police	64 000	57 000	64 000	18 347	32%	0%
Street Lighting	11 059 600	10 797 200	3 903 956	4 145 105	38%	106%
<b>PUBLIC SAFETY</b>	<b>27 662 500</b>	<b>26 243 600</b>	<b>12 393 356</b>	<b>6 863 926</b>	<b>26%</b>	<b>55%</b>

The total adopted capital budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2014/2015	DRAFT ADJUSTMENT BUDGET 2014/2015	ACTUAL NOV 2014 (YTD)	% OF DRAFT ADJUSTMENT BUDGET SPENT
External Loans	144 191 000	131 746 000	36 308 359	27.56%
Capital Replacement Reserve	104 458 300	97 323 100	22 604 449	23.23%
MIG	88 106 100	88 106 100	33 215 093	37.70%
Other National Government Grants	31 350 000	31 350 000	11 196 697	35.72%
Provincial Government Grants	37 764 800	25 877 200	6 225 331	24.06%
Public Contributions	11 182 000	7 407 400	4 519 294	61.01%
Reserves	2 809 600	1 402 900	544 160	38.79%
<b>TOTAL</b>	<b>419 861 800</b>	<b>383 212 700</b>	<b>114 613 383</b>	<b>29.91%</b>

The table below reflects a list of all tenders awarded in November 2014:

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/998A & B	156552	Alienation Of Erven 11627 And 11628 Wildenweide, Richards Bay By Public Tender	14/11/2014	2 550 000.00 2 350 000.00	145/441/206	0.00
8/2/1/1002	156575	Refurbishment Of Veldenvlei Hall - Phase 2	14/11/2014	699 248.00	216/532/36 216/532/18	
8/2/1/824	156485	3-Year Maintenance And Technical Support Of 132 kv Oil-Filled Cables Between Hydra And Capella Substations	14/11/2014		055/228/1A4	
8/2/1/963	156690	Appointment Of Consulting Engineer For Implementation Of Upgrades To Ngwelezane Reticulation And Outfall Sewer	14/11/2014	Referred Back to User Department		
8/2/1/957	156689	Appointment Of Consulting Engineer For Implementation Of Upgrades To Empangeni Sewer Reticulation	14/11/2014	Referred Back to User Department		
8/2/1/1039	157097	Supply, Delivery And Offloading Of Pc Workstations, Monitors, Notebooks And Peripherals	14/11/2014	1 013 538.44	282/536/43 282/536/91	
8/2/1/821	156169	Maintenance Of Cubicles / Kiosks And Pole Mounted Transformers For The Period 1 November 2014 To 31 October 2017	21/11/2014	Awarding of a Tender was not Supported		
8/2/1/1035A	157003	Manufacture, Supply, Delivery And Offloading Of 18 M3 Refuse Skips To uMhlathuze Supply Chain Management Unit	26/11/2014	714 000.00	233/536/13	
8/2/1/1035B	157011	Manufacture, Supply, Delivery And Offloading Of 7 M3 Refuse Skips To uMhlathuze Supply Chain Management Unit	26/11/2014	718 201.75	233/536/13	
8/2/1/1022	156944	Appointment Of A Private Part-Time General Medical Practitioner To Act As Council's Medical Officer Of Health And To Render Primary And Occupational Health Care Services For A Period Of Three (3) Years	26/11/2014	1 433 684.21	009/044/0	
8/2/1/994	156999	Electrical Master Plan For The City Of uMhlathuze	26/11/2014	1 378 906.18	255/672/29	

### 3.4 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL NOV (YTD)	% OF PRO- RATA BUDGET
Employee related costs	583 140 900	242 975 375	226 623 452	93%
Remuneration of Councillors	23 176 400	9 656 833	8 900 768	92%
Debt Impairment	3 050 000	1 270 833	1 270 833	100%
Depreciation and Offsetting of depreciation	182 389 600	75 995 667	75 995 626	100%
Finance Charges	77 614 000	32 339 167	32 339 167	100%
Bulk Purchases - Electricity	1 006 862 700	419 526 125	412 170 291	98%
Bulk Purchases - Water	89 639 700	37 349 875	56 769 372	152%
Other Materials	34 702 200	14 459 250	15 815 765	109%
Contracted Services	159 668 900	66 528 708	74 414 255	112%
Transfers and grants	13 749 100	5 728 792	1 297 962	23%
Other Expenditure	189 253 800	78 855 750	67 459 407	86%
<b>TOTAL</b>	<b>2 363 247 300</b>	<b>984 686 375</b>	<b>973 056 898</b>	<b>99%</b>

The above table represents operating expenditure per category incurred as at 30 November 2014.

**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

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

**Bulk Purchases – Water:** A surcharge on Water amounting to R13,1 million was charged by Mhlathuze Water for water purchased for the period ended 30 November 2014 as Council extracted more water than normal.

The City of uMhlathuze experienced a drought during the period July to November and is resulted in low Lake Levels. As at 30 September 2014, the levels are as follows: Lake Mzingazi 24,9% and Lake Cubhu 30%, Mhlathuze Water supplement about 55 ML/day potable water and 15 ML/day raw water respectively.

### 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 NOV 2014 (YTD)	% OF PRO- RATA BUDGET
Rates	314 000 000	130 833 333	142 075 951	109%
Service Charges – Electricity revenue	1 385 000 000	577 083 333	583 844 292	101%
Service Charges – Water revenue	204 600 000	85 250 000	86 851 145	102%
Service Charges – Sanitation revenue	78 000 000	32 500 000	32 233 303	99%
Service Charges – Refuse revenue	62 000 000	25 833 333	25 476 575	99%
Service Charges – Other revenue	12 561 200	5 233 833	5 591 413	107%
Rental of facilities and equipment	8 233 800	3 430 750	5 994 997	175%
Interest earned – external investments	10 605 000	4 418 750	6 717 354	152%
Interest earned – outstanding debtors	1 542 000	642 500	681 418	106%
Fines	8 877 200	3 698 833	4 562 209	123%
Licences and permits	1 727 700	719 875	725 081	101%
Agency services	6 350 000	2 645 833	2 843 337	107%
Operating Grants and Subsidies	260 508 600	108 545 250	109 204 369	101%
Other Revenue	16 553 000	6 897 083	7 921 215	115%
<b>TOTAL</b>	<b>2 370 558 500</b>	<b>987 732 708</b>	<b>1 014 722 659</b>	<b>103%</b>

The above table represents operating revenue per category as at 30 November 2014.

**Rates** - The performance of the property rates income is mainly due to the effect of the Supplementary Valuation that was implemented on 1 September 2014 and further the decision to increase the rates ratio for Business properties from 1:2 to 1:1,2

### 3.6 Surplus and Deficit by Service Category

SERVICE CATEGORY	ADOPTED BUDGET 2014/2015			ACTUAL AS AT 30 NOVEMBER 2014		
	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	165 300	414 200	(248 900)	67 650	3 360 531	(3 292 881)
Budget and Treasury Office	335 480 400	1 348 600	334 131 800	154 014 525	(3 208 687)	157 223 212
Corporate Services	8 671 000	50 241 500	(41 570 500)	2 593 103	13 842 042	(11 248 939)
Community and Social Services	9 764 500	49 704 564	(39 940 064)	7 519 708	19 775 308	(12 255 600)
Sport and Recreation	2 310 600	117 103 688	(114 793 088)	2 495 287	46 667 513	(44 172 226)
Public Safety	9 727 300	113 527 700	(103 800 400)	4 908 942	44 914 010	(40 005 068)
Housing	8 226 100	15 312 900	(7 086 800)	2 444 971	5 717 142	(3 272 171)
Health	12 166 400	37 705 948	(25 539 548)	3 142 083	12 812 021	(9 669 938)
Planning and Development	1 411 800	38 151 300	(36 739 500)	785 020	16 907 826	(16 122 806)
Road Transport	10 883 500	124 274 000	(113 390 500)	4 398 831	53 262 587	(48 863 756)
Water (Portion of PMU funded by Rates & General Services)	2 505 350	5 617 050	(3 111 700)	24 821	2 014 025	(1 989 204)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	2 505 350	7 329 050	(4 823 700)	24 821	2 502 933	(2 478 112)
<b>Total Rates and General Services</b>	<b>403 817 600</b>	<b>560 730 500</b>	<b>(156 912 900)</b>	<b>182 419 762</b>	<b>218 567 251</b>	<b>(36 147 489)</b>
<b>Airport</b>	<b>441 300</b>	<b>902 700</b>	<b>(461 400)</b>	<b>393 468</b>	<b>260 750</b>	<b>132 718</b>
<b>Trading Services</b>						
Electricity	1 392 658 000	1 246 892 800	145 765 200	599 181 980	514 869 388	84 312 592
Water	287 304 800	318 264 600	(30 959 800)	112 365 134	145 762 258	(33 397 124)
Clarified Water	15 250 000	15 107 800	142 200	7 989 766	6 518 766	1 471 000
Sewerage	167 811 800	124 756 100	43 055 700	69 685 562	48 806 624	20 878 938
Refuse Removal	103 275 000	96 592 800	6 682 200	42 686 989	38 271 865	4 415 124
<b>Total Trading Services</b>	<b>1 966 299 600</b>	<b>1 801 614 100</b>	<b>164 685 500</b>	<b>831 909 431</b>	<b>754 228 901</b>	<b>77 680 530</b>
<b>Total Service Category</b>	<b>2 370 558 500</b>	<b>2 363 247 300</b>	<b>7 311 200</b>	<b>1 014 722 661</b>	<b>973 056 902</b>	<b>41 665 759</b>

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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**

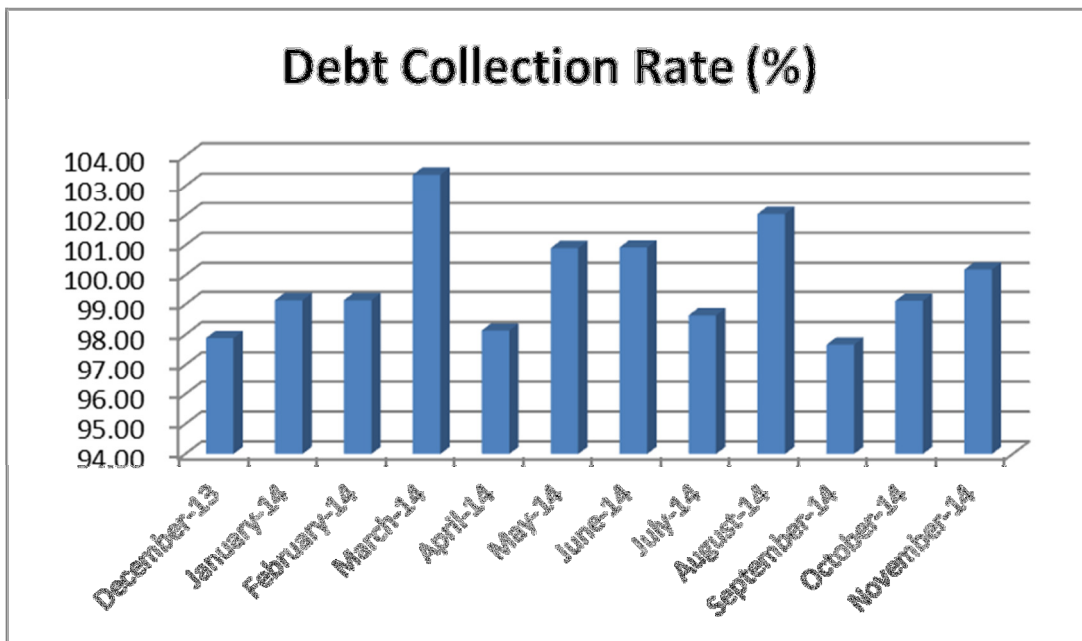
#### **➤ Debtors age analysis by category**

<b>DEBTORS AGE ANALYSIS BY CATEGORY</b>	<b>0-30 DAYS</b>	<b>31-60 DAYS</b>	<b>61-90 DAYS</b>	<b>OVER 90 DAYS</b>	<b>TOTAL</b>
Government	8 616 761	200 303	-64 105	5 156 389	13 909 348
Business	159 503 615	4 578 623	539 152	35 167 741	199 789 131
Households	46 468 584	2 366 829	1 704 983	39 287 050	89 827 446
Other	2 354 590	650 795	490 995	10 085 296	13 581 676
<b>Total</b>	<b>216 943 550</b>	<b>7 796 550</b>	<b>2 671 025</b>	<b>89 696 476</b>	<b>317 107 601</b>
<b>%</b>	<b>68.41%</b>	<b>2.46%</b>	<b>0.84%</b>	<b>28.29%</b>	

➤ **Debt Collection Rate**

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

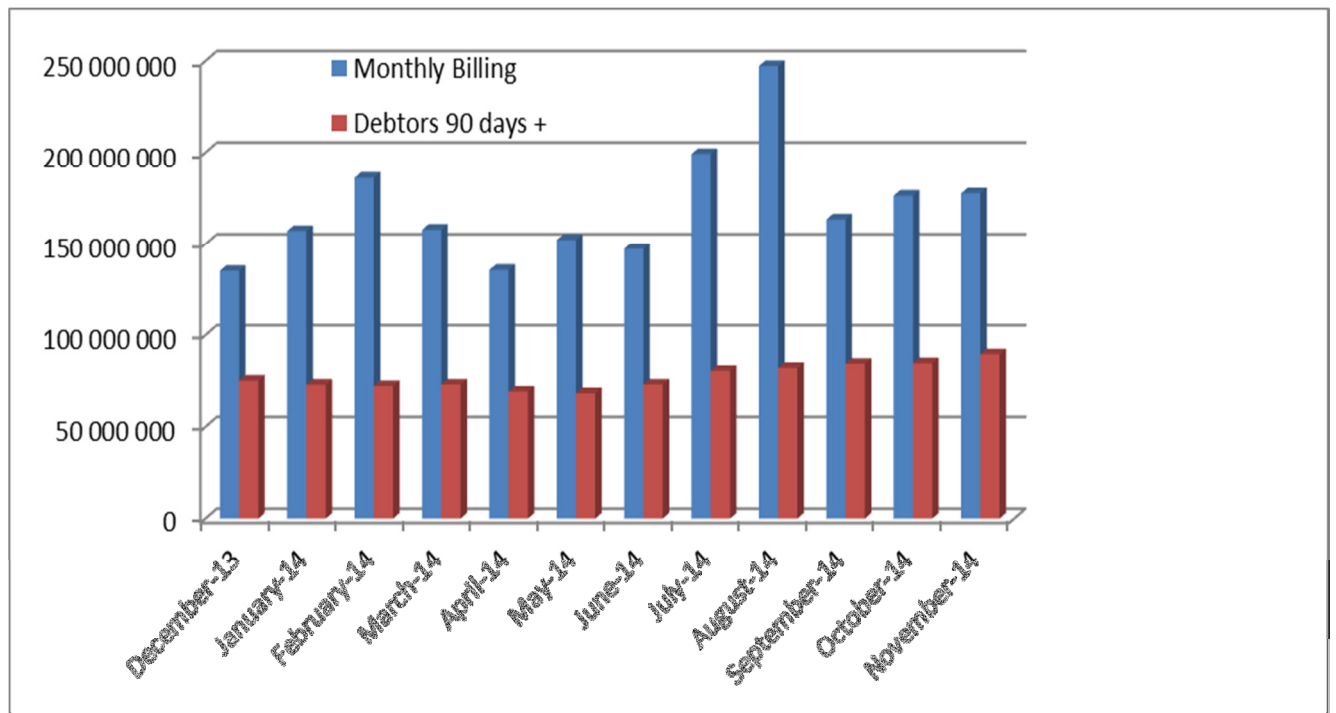
DEBT COLLECTION RATE PER MONTH	PERCENTAGE %
November 2014	100.19
October 2014	99.12
September 2014	97.67
August 2014	102.05
July 2014	98.64
June 2014	100.93
May 2014	100.91
April 2014	98.14
March 2014	100.72
February 2014	103.38
January 2014	99.14
December 2013	97.89





➤ **Monthly Billing Compared to Total Debtors 90 Days+**

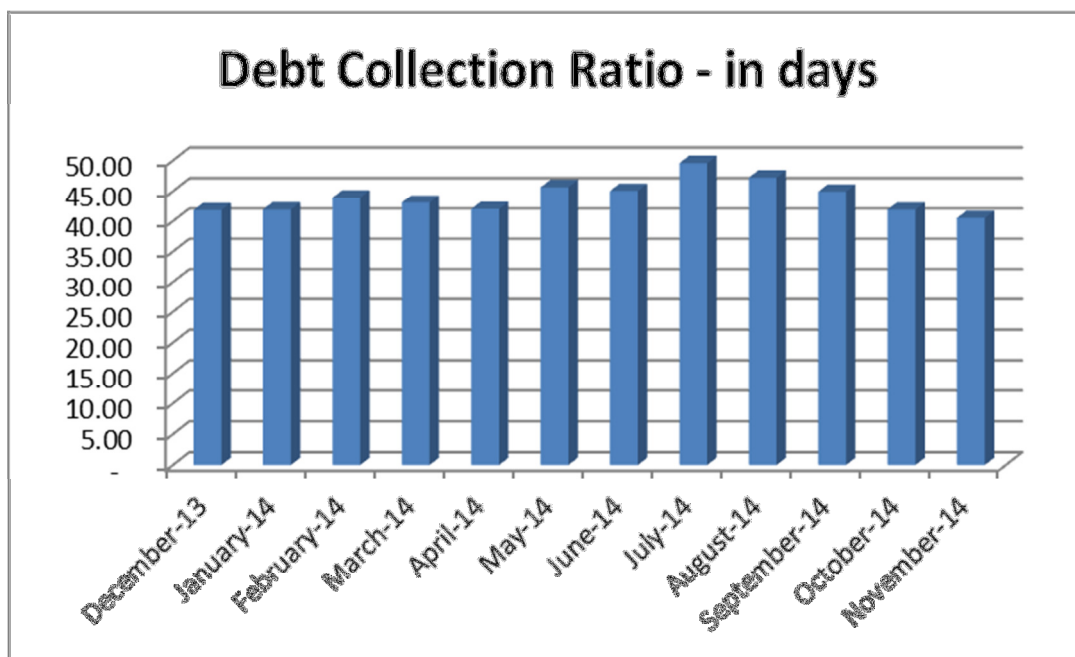
MONTH	MONTHLY BILLING	DEBTORS 90 DAYS +	PERCENTAGE %
November 2014	177 574 145	89 696 475	50.51%
October 2014	176 327 531	84 775 434	48.08%
September 2014	163 364 936	84 495 709	51.72%
August 2014	247 284 105	82 292 466	33.28%
July 2014	199 251 720	80 766 372	40.53%
June 2014	147 236 509	73 400 699	49.85%
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%
December 2013	135 287 435	75 500 566	55.81%
November 2013	125 825 942	75 809 769	60.25%
October 2013	132 113 815	71 455 602	54.09%



### **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.

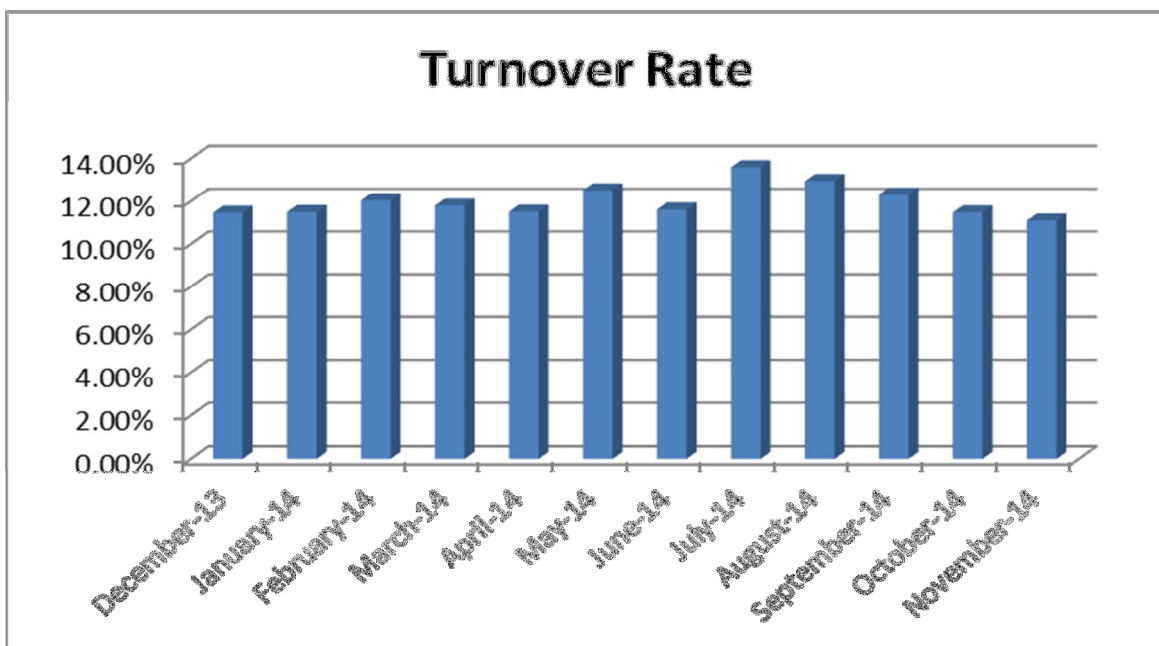
MONTH	COLLECTION IN DAYS
November 2014	40.52
October 2014	41.91
September 2014	44.93
August 2014	47.22
July 2014	49.59
June 2014	45.06
May 2014	45.66
April 2014	42.00
March 2014	43.09
February 2014	43.94
January 2014	41.93
December 2013	41.83



### **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
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%
December 2013	11.46%



## **Summary of Credit Control Technical Actions Performed**

DESCRIPTION	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
SMS Notification	6354	9501	7883	6533	9835
SMS Notification - IT & S	0	0	24493	5717	167523
Final Request - Residential	3399	3387	3832	4477	3083
Final Request - Business	365	252	329	480	187
Electricity Disconnection Level 1 (Switch Off Supply)	92	130	114	127	163
Electricity Disconnection Level 2. Remove Circuit Breaker	7	0	3	7	3
Illegal Consumption Inspection (Water or Electricity)	835	1060	1266	1396	1571
Water Restriction Level 1. (Restrict supply with a water flow restriction device)	648	741	933	1190	825
Water Restriction Level 2. (Install water pressure reducing valve)	17	9	17	10	18
Water Disconnection (Business accounts)	68	24	24	33	26
Finals (New Consumers, moving in or out, readings taken, disconnected/reconnected)	243	267	188	182	146

### ➤ **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 FOR THE DEPARTMENT OF PUBLIC WORKS				
ACCOUNT NUMBER	NAME OF DEPARTMENT	90 DAYS +	TOTAL	COMMENTS
		R	R	
1552325	RSA	230 818.71	476 806.18	Dispute of ownership, under investigation by DPW. Aerial photos have also been submitted and site inspections from DPW. DPW are still busy with their investigations & verification process.
993567	Department of Public Works	115 398.24	219 088.64	Invoices & reconciliations submitted. Previous school moved out therefore no payments were received. Officials from DOE visited site recently and confirmed to settle before end of November 2014
1750951	Province of KwaZulu Natal	168 773.89	214 938.68	Dispute of ownership, under investigation by DPW. Further no rates levied only estimated water charges. Account under investigation by metered services and correction of account to follow.
1552318	RSA	118 276.39	155 634.34	Invoices & reconciliations submitted DPW confirmed the payment will be forthcoming.
1347703	Department of Public Works	127 226.89	133 076.44	Property belongs to the council, awaiting non-metered services section to adjust the charges accordingly
1991812	Province of KwaZulu Natal	89 220.29	133 016.36	Dispute of ownership, under investigation by DPW. Dumisani Makhaye Village - Pump Station
1552357	RSA	90 353.24	118 962.23	Dispute of ownership, under investigation by DPW. Aerial photos have also been submitted and site inspections from DPW. DPW are still busy with their investigations & verification process.
1348513	RSA	92 735.06	100 038.01	Invoices & reconciliation submitted for payment. Awaiting confirmation as Provincial only pay rates & not services. This is a vacant site and undeveloped service charges is dealt with separately and have been sent for authorisation.
1344445	Department of Public Works	87 171.71	93 021.26	Invoices sent to DPW. Awaiting the confirmation on whether they are going to make the payment or which department is going to make the payments.
281009	Department of Public Works	86 256.38	91 144.34	Dispute of ownership. There is a school on the property. Title deed registered on the council name. Corporate services - Property Section still dealing with the matter

➤ **The Top 10 Arrear Business Accounts**

ACCOUNT NUMBER	NAME OF BUSINESS	90 DAYS +	TOTAL	COMMENTS
1854904	Basfour 3721 (Pty) Ltd	23 029 897	23 589 897	Basfour 3721 (Pty) Ltd / Indlovu 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	4 011 147	4 011 147	Zotec Development (Pty) Ltd refers to an account for contribution charges after the development of the Old Mill Security Estate. Pre-arbitrations hearings were held and some of the issues raised are still being investigated and considered.
1623456	Richards Bay IDZ	4 217 421	4 217 421	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	3 520 005	3 520 005	Zululand Chamber of Business Foundation is for rental charged. The matter is currently also in dispute in court and awaiting a court date
1610626	Tisand (Pty) Ltd	1 873 105	2 069 045	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	1 039 758	1 219 644	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
528545	Richards Bay Airport Co	443 315	836 811	Amount outstanding is for concession fees. Chairperson of working committee advised of arrears and proposed that the Airport Company must be given formal notice of cancellation of the concession agreement as that is the only proposed remedy in the agreement.
1941346	Mcclelland Prop Dev	859 922	740 110	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.
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.
982886	Ithala Dev Finance	589 773	589 773	After the sale of the property at 67 Tanner Road by Ithala, several charges kept on being charged to Ithala. Several corrections were made but the rest of the account are in dispute. The matter is being handled by staff from the Finance department - metered services.

### 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 R181 492.26 as per **Annexure AB - DMS 1008495**.

Councillor's debt amounts to R7 646.49 as per **Annexure AC - DMS 1008495**.

### 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 NOV 2014 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R'000	R'000	R'000	R'000	%
Overtime	30 740 100	12 808 375	14 193 218	(1 384 843)	111%

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	
	Total Hours	Total Employees	Total Hours	Total Employees
Permanent	30 387	768	31 979	768
Temporary	1 034	108	210	106
	<b>31 421</b>	<b>876</b>	<b>32 189</b>	<b>874</b>

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 October 2014. The relevant departments have supplied the comments for the over-expenditures incurred on overtime.

DEPARTMENT	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL NOV 2014 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA BUDGET SPENT
	R	R	R	R	%
City Development	-	-	-	-	0%
Community Services	15 653 500	6 522 292	7 272 220	(749 928)	111%
Corporate Services	309 900	129 125	275 838	(146 713)	214%
Financial Services	114 200	47 583	38 466	9 117	81%
Infrastructure and Technical Services	14 662 500	6 109 375	6 606 694	(497 319)	108%
Office of the Municipal Manager	-	-	-	-	0%
<b>Total</b>	<b>30 740 100</b>	<b>12 808 375</b>	<b>14 193 218</b>	<b>(1 384 843)</b>	<b>111%</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).

## 4.2 Volume of Transfers

Council has only commenced the financial year – and during the months July and November a total of 208 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	Total Number of Transfers
Capital	10	20	16	9	29	84
Operating	13	27	25	27	32	124
<b>Total</b>	<b>23</b>	<b>47</b>	<b>41</b>	<b>36</b>	<b>61</b>	<b>208</b>

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

Department	July 2014	August 2014	September 2014	October 2014	November 2014	Total Value of Transfers
Corporate Services	30 900	290 100	179 000	547 800	967 000	2 014 800
Community Services	133 300	306 000	1 187 200	455 500	578 400	2 660 400
Office of The Municipal Manager	1 100	-	-	-	25 000	26 100
City Development	-	312 000	8 600	3 000	-	323 600
Financial Services	-	11 200	4 094 100	261 100	300	4 366 700
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	2 831 100
ITS - Water and Sanitation Services	97 000	212 500	620 000	537 000	447 400	1 913 900
<b>Total</b>	<b>1 288 500</b>	<b>6 585 800</b>	<b>7 598 900</b>	<b>2 701 500</b>	<b>2 659 100</b>	<b>20 833 800</b>

### 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	205/536/41	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	208/536/02	282/536/87	27 000	RPT 157037
Community Service - Health and Public Safety	208/536/02	208/532/06	40 000	RPT 157037
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	271/500/322	38 000	RPT 157037
Community Service - Health and Public Safety	212/532/04	206/532/01	93 600	RPT 157037
Community Service - Health and Public Safety	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	233/532/12	233/536/12	40 000	Report Pending
Community Service - Health and Public Safety	233/532/14	233/536/13	200 000	Report Pending
Community Service - Health and Public Safety	205/536/29	205/536/42	10 000	Report Pending
Community Service - Health and Public Safety	205/536/35	205/536/32	7 500	Report Pending
Community Service - Health and Public Safety	205/536/33	205/536/48	1 700	Report Pending
Community Service - Health and Public Safety	205/536/43	205/536/48	9 100	Report Pending
Community Service - Health and Public Safety	205/532/07	219/532/165	20 600	Report Pending
Community Service - Health and Public Safety	205/536/34	205/544/03	37 100	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
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
Community Services - Recreational and Environmental Services	243/536/03	271/500/345	240 000	RPT 157037
Corporate Services - Administration	282/536/55	219/532/167	144 300	Report Pending
Corporate Services - Administration	282/536/83	082/040/01	450 000	Report Pending
Corporate Services - Administration	230/632/01	230/632/02	44 000	Report Pending
Corporate Services - Administration	201/532/03	219/532/168	20 000	Report Pending

DEPARTMENT	CAPITAL VOTE TRANSFER FROM	CAPITAL VOTE TRANSFER TO	AMOUNT	RPT/COUNCIL RESOLUTION NUMBER
Corporate Services - Administration	201/532/03	201/544/03	103 000	Report Pending
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	282/536/89	8 000	Report Pending
Financial Services	240/532/06	240/532/08	3 800 000	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
Financial Services	240/532/06	219/5328/46	161 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	257/636/01	219/532/166	7 500	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/532/29	282/536/74	36 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/536/12	255/536/14	24 300	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/536/13	255/632/57	6 200	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/632/02	250/644/0	21 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/632/03	250/644/0	5 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	250/636/02	250/644/0	9 800	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/532/26	255/536/15	2 400	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/536/12	255/536/15	10 800	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	219/632/52	300 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	219/632/53	400 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/672/30	255/672/24	290 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/872/14	255/872/13	2 000 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/872/14	255/872/12	759 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	255/632/57	219 900	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	255/636/11	100 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/42	272/644/0	50 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	270/650/38	270/650/39	71 500	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/672/31	255/672/35	40 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/672/31	255/672/35	10 000	Report Pending
Infrastructure and Technical Services - Electrical Supply Services	255/632/53	219/632/51	3 400	Report Pending
Infrastructure and Technical Services - Engineering Support Services	238/536/06	219/532/160	2 000	Report Pending
Infrastructure and Technical Services - Engineering Support Services	219/532/140	219/532/160	4 500	RPT 157038
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	270/536/02	222/572/78	13 800	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	270/550/112	222/572/78	5 200	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	270/536/03	219/532/92	22 700	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	282/636/34	219/632/58	8 200	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	222/672/76	222/672/85	98 000	Report Pending
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	022/040/0	150 000	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

DEPARTMENT	CAPITAL VOTE TRANSFER FROM	CAPITAL VOTE TRANSFER TO	AMOUNT	RPT/COUNCIL RESOLUTION NUMBER
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	271/600/117	270/600/02	48 000	RPT 157075
Infrastructure and Technical Services - Transport, Roads and Stormwater	271/500/339	270/550/128	1 000 000	RPT 157075
Infrastructure and Technical Services - Water and Sanitation	260/684/20	219/632/42	380 000	Report Pending
Infrastructure and Technical Services - Water and Sanitation	260/632/05	282/636/35	20 400	Report Pending
Infrastructure and Technical Services - Water and Sanitation	282/536/62	234/544/01	6 800	Report Pending
Infrastructure and Technical Services - Water and Sanitation	234/544/01	282/536/62	39 500	Report Pending
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	274/536/0	274/532/02	16 000	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	287/536/01	274/536/07	104 000	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	234/632/25	234/632/24	100 000	Report Pending

## 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 NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 947 200	811 333	1 127 056	(315 723)
006	Traffic	3 126 600	1 302 750	1 389 512	(86 762)
009	Clinic	31 800	13 250	103 363	(90 113)
029	Commuter Facilities	73 500	30 625	47 773	(17 148)
032	Street Cleaning	4 426 900	1 844 542	2 045 611	(201 069)
033	Refuse Removal	4 050 400	1 687 667	1 677 720	9 947
037	Public Conveniences	141 600	59 000	60 546	(1 546)
<b>Total</b>		<b>13 798 000</b>	<b>5 749 167</b>	<b>6 451 581</b>	<b>(702 414)</b>

#### □ **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.

#### □ **Vote 006 – Traffic**

The overtime for the financial budget is R3 126 600. Divided between 12 months = R260 550.00. For the month of October 2014, the proposed planned overtime amounted to R250 249.00. 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 attended to various call outs, such as accidents and obstructions, whilst performing standby duties (unplanned overtime).

For the month of November the staff members were paid for 5 weeks due to the Section cut off dates for the submission of overtime, from 21 September to 26 October 2014. Adding to the expenditure is the Public holiday, Heritage day, on 24 September 2014, whereby members are remunerated on double time rate.

□ **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**

The warm weather experienced during this period resulted in public flocking to the beaches. Facilities being available 7 days a week 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

COMMUNITY SERVICES - ENVIRONMENTAL AND RECREATION SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
COMMUNITY SERVICES AND HEALTH					
002	Cemetery	729 500	303 958	355 762	(51 804)
024	Sport Development and Sports Field	203 400	84 750	96 839	(12 089)
027	Beach Facilities	400 000	166 667	169 885	(3 218)
042	Swimming Pools	455 600	189 833	159 352	30 481
073	Parks Distribution Account	67 000	27 917	38 802	(10 885)
<b>Total</b>		<b>1 855 500</b>	<b>773 125</b>	<b>820 640</b>	<b>(47 515)</b>

□ **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 24 - Sport Development and Sportsfield**

One tractor driver has been declared medically unfit and the doctor has advised that he be put on light duty. With the shortage of tractor drivers, grass cutting at various sport fields could not be completed during working hours. Central Sport Complex was booked for many events during the month of November and staff members had to do line marking and cleaning before, during and after those events.

□ **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, 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 073 – Parks Distribution**

Most of the overtime done during this period was due to trucks being at the Mechanical Workshop over long period of time. The department had trucks that had been standing at the Workshop 6 months and beyond, resulting in a backlog in collection of vegetation debris. Overtime was schedule, improve or clear vegetation debris as per the operational requirements. Furthermore, Council participated in an annual event (**Royal Agricultural Show**) in Pietermaritzburg in which overtime worked was debited in November against the abovementioned vote.

## 5.2 **Corporate Services**

### 5.2.1 **Overtime**

CORPORATE SERVICES					
OVERTIME					
VOTE	DESCRIPTION	ADOPTED BUDGET 2014/2015	PRO-RATA BUDGET (YTD)	ACTUAL NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ADMINISTRATION					
001	Administration	65 000	27 085	185 182	(158 097)
016	Municipal Halls	60 500	25 208	40 551	(15 343)
030	Council General Expenditure	85 600	35 667	28 587	7 080
078	Printing and Photocopying	42 000	17 500	21 518	(4 018)
082	IT Services	56 800	23 667	-	23 667
<b>Total</b>		<b>309 900</b>	<b>129 127</b>	<b>275 838</b>	<b>(146 711)</b>

□ **Vote 001 – Administration**

Reasons for Overtime over expenditure at the Call Centre in November 2014:

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 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 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 NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
040	Financial Services	34 400	14 333	-	14 333
066	Supply Chain Management Unit	79 800	33 250	38 466	(5 216)
<b>Total</b>		<b>114 200</b>	<b>47 583</b>	<b>38 466</b>	<b>9 117</b>

□ **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 NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ELECTRICAL SUPPLY SERVICES					
057	Electricity Marketing and Customer Service	50 000	20 833	10 271	10 562
072	Electricity Distribution	3 883 700	1 618 208	1 807 342	(189 134)
079	Traffic Technical Distribution	-	-	13 314	(13 314)
081	Electrical Planning & Dev	-	-	-	-
083	Electrical Support Services	51 400	21 417	58 796	(37 379)
<b>Total</b>		<b>3 985 100</b>	<b>1 660 458</b>	<b>1 889 723</b>	<b>(229 265)</b>

#### □ Vote 072 – Electricity Distribution

In the month of November there was an overspending of 14%. The October month was quite a busy month for operations and maintenance with a total of 18 major power interruptions. The Network is quite stable at the moment, only load shedding as per Eskom system constrains can impact on the Section's over expenditure.

#### □ Vote 079 – Traffic Technical Distribution

As this is accumulative for the month of November 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 staff 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 NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
ENGINEERING SUPPORT SERVICES					
038	Engineering Support	-	-	7 733	(7 733)
067	Mechanical Services	607 100	252 958	231 518	21 440
<b>Total</b>		<b>607 100</b>	<b>252 958</b>	<b>239 251</b>	<b>13 707</b>

□ **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 NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
TRANSPORT, ROADS AND STORMWATER					
068	Roads and Stormwater	-	-	64 556	(64 556)
<b>Total</b>		<b>-</b>	<b>-</b>	<b>64 556</b>	<b>(64 556)</b>

□ **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 NOV 2014 (YTD)	UNDER/(OVER) EXPENDITURE
		R	R	R	R
WATER AND SANITATION SERVICES					
062	Scientific Services	23 800	9 917	23 527	(13 610)
074	Water & sewerage distribution	9 484 100	3 951 708	4 192 122	(240 414)
087	Sewerage & Pumpstations Distribution	562 400	234 333	197 515	36 818
<b>Total</b>		<b>10 070 300</b>	<b>4 195 958</b>	<b>4 413 164</b>	<b>(217 206)</b>

□ **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**

There was a backlog in capturing of IR forms on new and replaced water meters to update GIS due to lack of staff as Ms Zanele Wanda is the only one responsible to verify the information from maintenance. Temporary Clerks were asked to assist with data capturing over the weekends.

## 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:

<b>TABLE NUMBER</b>	<b>DESCRIPTION</b>	<b>ANNEX</b>
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 30 November 2014.

### **8. CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 November 2014.

### **9. INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 November 2014.

### **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 30 November 2014.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 November 2014.

### **12. CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 30 November 2014:

- ❑ 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 29,91% (R114,6 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 1011066 (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.

##### **DISCUSSION**

##### **RECOMMENDED THAT:**

the financial position of the uMhlathuze Municipality as at 30 November 2014, 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 1008494**), be noted.