

UTHUKELA

UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

SECTION 71 REPORT

JULY

2016

Table of Contents

PART 1 – MONTHLY IN-YEAR MONITORING BUDGET

1.1	JULYOR'S REPORT.....
1.2	COUNCIL RESOLUTIONS
1.3	EXECUTIVE SUMMARY
1.4	IN- YEAR BUDGET TABLES

PART 2 – SUPPORTING DOCUMENTATION

2.1	Debtor's Age Analysis Table
2.2	CREDITORS AGE ANALYSIS TABLE.....
2.3	Councillors Allowances and Employee Benefits.....
2.4	Investments and Bank Balances
2.5	Allocation Of grants Reciepts.....
2.6	Allocation Of grants Expenditure.....
2.7	MUNICIPAL MANAGER'S QUALITY CERTIFICATE

Part 1 – Annual Budget

1.1 Mayor's Report

The Monthly section 71 report is a report that gives a clear view on the state or performance of the Municipality for that month as well as the year to date performance. Among the impacts that are challenging the Municipality, is the cash flow challenge currently being experienced by the municipality due to among other things declining collection, historic expenditure patterns, high water losses and high rate of indigents within the municipal boundaries.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the UThukela District Municipality .Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

1.2 Council Resolutions

1. The Council of UThukela District Municipality, acting in terms of section 71 of the Municipal Finance Management Act, (Act 56 of 2003) to note :
2. Monthly Budget statements and supporting documents for the month of July 2016.

1.3 Executive Summary

As per Municipal Finance Management Act the municipality needs to prepare section 71 report in a prescribed format as per national treasury regulations.

The District Municipality has to embark on implementing revenue collection strategies to optimize the collection of debt owed by consumers.

The municipality is also embarking on assuring that all grants are spent during the 2015/16 financial year.

1.4 In - Year Budget tables

TABLE 1: C4 – Monthly Budget Statements – Financial Performance

Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue By Source								
Property rates						-		
Property rates - penalties & collection charges						-		
Service charges - electricity revenue						-		
Service charges - water revenue	159 378		40 312	40 312	13 281	27 030	204%	159 378
Service charges - sanitation revenue	17 551		1 499	1 499	1 463	37	3%	17 551
Service charges - refuse revenue						-		
Service charges - other						-		
Rental of facilities and equipment						-		
Interest earned - external investments	10 671				889	(889)	-100%	10 671
Interest earned - outstanding debtors	28 321		3 319	3 319	2 360	959	41%	28 321
Dividends received						-		
Fines						-		
Licences and permits						-		
Agency services						-		
Transfers recognised - operational	338 199		138 487	138 487	28 183	110 304	391%	338 199
Other revenue	1 914		264	264	159	104	65%	1 914
Gains on disposal of PPE						-		
Total Revenue (excluding capital transfers and contributions)	556 033	-	183 880	183 880	46 336	137 544	297%	556 033
Expenditure By Type								
Employee related costs	195 150				16 262	(16 262)	-100%	195 150
Remuneration of councillors	6 552				546	(546)	-100%	6 552
Debt impairment	36 460		129	129	3 038	(2 909)	-96%	36 460
Depreciation & asset impairment	57 676				4 806	(4 806)	-100%	57 676
Finance charges						-		
Bulk purchases	5 901				492	(492)	-100%	5 901
Other materials	44 506				3 709	(3 709)	-100%	44 506
Contracted services	37 412				3 118	(3 118)	-100%	37 412
Transfers and grants	10 512				876	(876)	-100%	10 512
Other expenditure	154 188		1 152	1 152	12 849	(11 697)	-91%	154 188
Loss on disposal of PPE						-		
Total Expenditure	548 356	-	1 281	1 281	45 696	(44 415)	-97%	548 356
Surplus/(Deficit)	7 677	-	182 599	182 599	640	181 960		7 677
Transfers recognised - capital	262 691				21 891	(21 891)		262 691
Surplus/ (Deficit) for the year	270 368	-	182 599	182 599	22 531			270 368

- The transfers recognized is reflecting the grants expenditure that has been recognized as income plus unconditional grants. An amount of R138 million has been recognised under operating grants (Equitable Share)
- No amount was recognised in respect of capital grants.
- Total operating expenditure is at R 1.2 million for the month of July 2016
- The Service charges – Water revenue 40 million has been billed for the month of July 2016.
- The Service charges – Sanitation 1.4 million has been billed for the month July 2016.
- Employee related costs for the month of July 2016 will be reflected together with that of August 2016, due to costing challenges experienced as a result of the mSCOA transition.
- Remuneration of Councillors (see explanation above)

Table 2: C5 – Monthly Budget Statements – Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Vote Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Single Year expenditure appropriation								
105 - MUNICIPAL MANAGER	290	-	-	-	24	(24)	-100%	290
200 - CORPORATE SERVICES	1 315	-	-	-	110	(110)	-100%	1 315
300 - BUDGET AND TREASURY	225	-	-	-	19	(19)	-100%	225
405 - SOCIAL SERVICES	100	-	-	-	8	(8)	-100%	100
408 - WSA AND HEALTH SERVICES	460	-	-	-	38	(38)	-100%	460
500 - TECHNICAL SERVICES	262 744	-	-	-	21 895	(21 895)	-100%	262 744
510 - WATER AND SANITATION SERVICES	110	-	-	-	9	(9)	-100%	110
Total Capital Expenditure	265 244	-	-	-	22 104	(22 104)	-100%	265 244
Capital Expenditure - Standard Classification								
Governance and administration	1 830	-	-	-	153	(153)	-100%	1 830
Executive and council	290	-	-	-	24	(24)	-100%	290
Budget and treasury office	225	-	-	-	19	(19)	-100%	225
Corporate services	1 315	-	-	-	110	(110)	-100%	1 315
Community and public safety	560	-	-	-	47	(47)	-100%	560
Community and social services	100	-	-	-	8	(8)	-100%	100
Health	460	-	-	-	38	(38)	-100%	460
Economic and environmental services	2 378	-	-	-	110	(110)	-100%	2 378
Planning and development								
Road transport	2 378	-	-	-	110	(110)	-100%	2 378
Environmental protection								
Trading services	260 476	-	-	-	21 706	(21 706)	-100%	260 476
Electricity								
Water	260 476	-	-	-	21 706	(21 706)	-100%	260 476
Other								
Total Capital Expenditure - Standard Classification	265 244	-	-	-	22 015	(22 015)	-100%	265 244
Funded by:								
National Government	262 691				21 891	(21 891)	-100%	262 691
Provincial Government								
District Municipality								
Other transfers and grants								
Transfers recognised - capital	262 691	-	-	-	21 891	(21 891)	-100%	262 691
Public contributions & donations								
Borrowing								
Internally generated funds	2 553				213	(213)	-100%	2 553
Total Capital Funding	265 244	-	-	-	22 104	(22 104)	-100%	265 244

➤ As depicted above no capital expenditure recorded for the month of July 2016

Table 3: SC13 Repairs and maintenance per asset class

Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Repairs and maintenance expenditure by Asset Class/Sub-class								
Infrastructure	34 326	-	-	-	2 860	2 860	100,0%	34 326
Infrastructure - Road transport	1 774	-	-	-	148	148	100,0%	1 774
<i>Roads, Pavements & Bridges</i>	1 774	-	-	-	148	148	100,0%	1 774
<i>Storm water</i>	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	-	-
<i>Generation</i>	-	-	-	-	-	-	-	-
<i>Transmission & Reticulation</i>	-	-	-	-	-	-	-	-
<i>Street Lighting</i>	-	-	-	-	-	-	-	-
Infrastructure - Water	24 552	-	-	-	2 046	2 046	100,0%	24 552
<i>Dams & Reservoirs</i>	10 000	-	-	-	833	833	100,0%	10 000
<i>Water purification</i>	11 000	-	-	-	917	917	100,0%	11 000
<i>Reticulation</i>	3 552	-	-	-	296	296	100,0%	3 552
Infrastructure - Sanitation	-	-	-	-	-	-	-	-
<i>Reticulation</i>	-	-	-	-	-	-	-	-
<i>Sewerage purification</i>	-	-	-	-	-	-	-	-
Infrastructure - Other	8 000	-	-	-	667	667	100,0%	8 000
<i>Waste Management</i>	-	-	-	-	-	-	-	-
<i>Transportation</i>	-	-	-	-	-	-	-	-
<i>Gas</i>	-	-	-	-	-	-	-	-
<i>Other</i>	8 000	-	-	-	667	667	100,0%	8 000
Other	-	-	-	-	-	-	-	-
Other assets	14 618	-	-	-	1 218	1 218	100,0%	14 618
General vehicles	6 720	-	-	-	560	560	100,0%	6 720
Specialised vehicles	-	-	-	-	-	-	-	-
Plant & equipment	620	-	-	-	52	52	100,0%	620
Computers - hardware/equipment	1 800	-	-	-	150	150	100,0%	1 800
Furniture and other office equipment	62	-	-	-	5	5	100,0%	62
Other Buildings	4 000	-	-	-	333	333	100,0%	4 000
Other Land	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-
Other	1 416	-	-	-	118	118	100,0%	1 416
Total Repairs and Maintenance Expenditure	48 944	-	-	-	4 079	4 079	100,0%	48 944

- Plant and Equipment refers to the purification plants and equipment.
- No expenditure was recognised in the month of July 2016.

Table 4: C2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue - Standard								
<i>Governance and administration</i>	344 736	-	138 572	138 572	28 728	109 844	382%	344 736
Executive and council	53 055	-	-	-	4 421	(4 421)	-100%	53 055
Budget and treasury office	291 681	-	138 572	138 572	24 307	114 265	470%	291 681
Corporate services	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	1 200	-	-	-	100	(100)	-100%	1 200
Planning and development	1 200	-	-	-	100	(100)	-100%	1 200
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	472 788	-	45 308	45 308	39 399	5 909	15%	472 788
Electricity	-	-	-	-	-	-	-	-
Water	453 744	-	43 677	43 677	37 812	5 865	16%	453 744
Waste water management	19 045	-	1 631	1 631	1 587	44	3%	19 045
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-
Total Revenue - Standard	818 724	-	183 880	183 880	68 227	115 653	170%	818 724
Expenditure - Standard								
<i>Governance and administration</i>	254 606	-	-	-	21 217	(21 217)	-100%	254 606
Executive and council	54 586	-	-	-	4 549	(4 549)	-100%	54 586
Budget and treasury office	142 601	-	-	-	11 883	(11 883)	-100%	142 601
Corporate services	57 418	-	-	-	4 785	(4 785)	-100%	57 418
<i>Community and public safety</i>	35 819	-	67	67	2 985	(2 918)	-98%	35 819
Health	35 819	-	67	67	2 985	(2 918)	-98%	35 819
<i>Economic and environmental services</i>	41 382	-	-	-	3 448	(3 448)	-100%	41 382
Planning and development	41 382	-	-	-	3 448	(3 448)	-100%	41 382
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	216 550	-	1 214	1 214	18 046	(16 831)	-93%	216 550
Electricity	-	-	-	-	-	-	-	-
Water	213 886	-	1 214	1 214	17 824	(16 610)	-93%	213 886
Waste water management	2 663	-	-	-	222	(222)	-100%	2 663
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-
Total Expenditure - Standard	548 356	-	1 281	1 281	45 696	(44 415)	-97%	548 356
Surplus/ (Deficit) for the year	270 368	-	182 599	182 599	22 531	160 068	710%	270 368

Table 5: C3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue by Vote								
105 - MUNICIPAL MANAGER	53 055	-	-	-	4 421	(4 421)	-100,0%	53 055
200 - CORPORATE SERVICES	-	-	-	-	-	-	-	-
300 - BUDGET AND TREASURY	291 681	-	138 572	138 572	24 307	114 265	470,1%	291 640
405 - SOCIAL SERVICES	1 200	-	-	-	100	(100)	-100,0%	1 200
408 - WSA AND HEALTH SERVICES	-	-	-	-	-	-	-	-
500 - TECHNICAL SERVICES	265 860	-	-	-	22 155	(22 155)	-100,0%	3 169
510 - WATER AND SANITATION SERVICES	206 928	-	45 308	45 308	17 244	28 064	162,7%	206 928
Total Revenue by Vote	818 724	-	183 880	183 880	68 227	115 653	169,5%	555 993
Expenditure by Vote								
105 - MUNICIPAL MANAGER	54 586	-	-	-	4 549	(4 549)	-100,0%	54 586
200 - CORPORATE SERVICES	57 418	-	-	-	4 785	(4 785)	-100,0%	57 418
300 - BUDGET AND TREASURY	142 601	-	-	-	11 883	(11 883)	-100,0%	142 601
405 - SOCIAL SERVICES	41 382	-	-	-	3 448	(3 448)	-100,0%	41 382
408 - WSA AND HEALTH SERVICES	35 819	-	67	67	2 985	(2 918)	-97,8%	35 819
500 - TECHNICAL SERVICES	8 637	-	129	129	720	(590)	-82,0%	8 637
510 - WATER AND SANITATION SERVICES	207 913	-	1 085	1 085	17 326	(16 241)	-93,7%	207 913
Total Expenditure by Vote	548 356	-	1 281	1 281	45 696	(44 415)	-97,2%	548 356
Surplus/ (Deficit) for the year	270 368	-	182 599	182 599	22 531	160 068	710,4%	7 636

Part 2 – Supporting Documentation

2.1.1 Table 6: SC3

Debtors Age Analysis

Description	Budget Year 2016/17									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days
R thousands										
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	29 333	27 921	13 241	13 550	534 672				618 718	548 222
Other	26	9	73	(13)	916				1 012	903
Total By Income Source	29 360	27 931	13 314	13 537	535 588	-	-	-	619 730	549 125
2015/16 - totals only									-	-
Debtors Age Analysis By Customer Group										
Organs of State	2 159	5 266	563	484	5 307				13 769	5 791
Commercial	1 106	799	292	283	14 876				17 366	15 158
Households	26 069	21 866	12 385	12 783	514 489				587 593	527 273
Other	26	9	73	(13)	916	-	-	-	1 012	903
Total By Customer Group	29 360	27 931	13 314	13 537	535 588	-	-	-	619 730	549 125

- The Municipality has a total amount of R 619 million of outstanding debt.

2.1.2 Table 7: Collection Rate

CONSUMER DEBTORS - PAYMENTS VS BILLING AS AT 31 JULY 2016				
MONTH	BILLING	MONTHS	RECIEPTS	RECOVERY RATE %
June 2016	23 534 142,40	July 2016	6 036 728,18	25,65%
	23 534 142,40		6 036 728,18	25,65%
TOTALS				
BILLING - JUNE 2016- JUNE 2016		23 534 142,40		
RECIEPTS - JULY 2016- JULY 2016		6 036 728,18		
DIFFERENCE		17 497 414,22		25,65%

2.2 Table: 8 SC4 Aged Creditors

Description	Budget Year 2016/17								
	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Water									-
PAYE deductions									-
VAT (output less input)									-
Pensions / Retirement deductons									-
Loan repayments								13 091	13 091
Trade Creditors	313	22							334
Auditor General									-
Other									-
Total By Customer Type	313	22	-	-	-	-	-	13 091	13 425

Arrangement has been made with the Department of Water Affairs to pay off the debt for bulk water purchases at an amount of R1 000 000 per month.

2.3 Table 9: SC8 Salaries and Allowances

Summary of Employee and Councillor remuneration	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
<u>Councillors (Political Office Bearers plus Other)</u>								
Basic Salaries and Wages	4 506				376	(376)	-100%	4 506
Pension and UIF Contributions						-		
Medical Aid Contributions						-		
Motor Vehicle Allowance	1 571				131	(131)	-100%	1 571
Cellphone Allowance	471				39	(39)	-100%	471
Housing Allowances					-	-		
Other benefits and allowances	3		-	-	0	(0)	-100%	3
Sub Total - Councillors	6 552	-	-	-	546	(546)	-100%	6 551
<u>Senior Managers of the Municipality</u>								
Basic Salaries and Wages	8 347				696	(696)	-100%	8 347
Pension and UIF Contributions	18 181				1 515	(1 515)	-100%	18 181
Medical Aid Contributions	5 629				469	(469)	-100%	5 629
Overtime	13 233				1 103	(1 103)	-100%	13 233
Performance Bonus					-	-		
Motor Vehicle Allowance	7 519				627	(627)	-100%	7 519
Cellphone Allowance					-	-		
Housing Allowances	530				44	(44)	-100%	530
Other benefits and allowances	10 946				912	(912)	-100%	10 946
Payments in lieu of leave	1 220				102	(102)	-100%	1 220
Long service awards					-	-		
Post-retirement benefit obligations					-	-		
Sub Total - Other Municipal Staff	186 803	-	-	-	15 567	(15 567)	-100%	186 804
TOTAL SALARY, ALLOWANCES & BENEFITS	201 701	-	-	-	16 808	(16 808)	-100%	201 702
TOTAL MANAGERS AND STAFF	195 149	-	-	-	16 262	(16 262)	-100%	195 151

2.4.1 Table 10: Investments and Bank Balances

Bank Balances			
The following reflects bank balances at 31 July 2016			
DESCRIPTION	JULY	AUGUST	SEPTEMBER
FNB MAIN ACCOUNT 62252306280	58 891 431,00	0,00	0,00
FNB WATER ACCOUNT 62253072385	0,00	0,00	0,00
	58 891 431,00	0,00	0,00
Total cash held	58 891 431,00		

At the end of July 2016 cash on hand was R58.8 million

2.4.2 Table 11: SC5 Investments

Investments by maturity Name of institution & investment ID	Market value at end of the month
R thousands	
Municipality	
FNB	50 746
NEDBANK	38 543
INVESTTECH	51 254
TOTAL INVESTMENTS AND INTEREST	140 543

Investments held at the end of July 2016 amounted to R140 million

2.5 Table 12: SC6 Grant Receipts

Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
RECEIPTS:								
Operating Transfers and Grants								
National Government:	336 999	-	138 487	138 487	28 083	115 211	410,2%	336 999
Local Government Equitable Share	279 315		138 487	138 487	23 276	115 211	495,0%	279 315
RSC Levy Replacement	47 937				3 995			47 937
EPWP Incentive	3 169				264			3 169
Finance Management	1 460				122			1 460
special support councillor remuneration	5 118				427			5 118
Provincial Government:	1 200	-	-	-	100	(100)	-100,0%	1 200
shared services grant	1 200				100	(100)	-100,0%	1 200
Total Operating Transfers and Grants	338 199	-	138 487	138 487	28 183	115 111	408,4%	338 199
Capital Transfers and Grants								
National Government:	262 691	-	-	-	21 891	(14 876)	-68,0%	262 691
Municipal Infrastructure Grant (MIG)	178 506				14 876	(14 876)	-100,0%	178 506
water services infrastructure grant	81 807				6 817			81 807
rural asset management grant	2 378				198			2 378
Total Capital Transfers and Grants	262 691	-	-	-	21 891	(14 876)	-68,0%	262 691
TOTAL RECEIPTS OF TRANSFERS &	600 890	-	138 487	138 487	50 074	100 235	200,2%	600 890

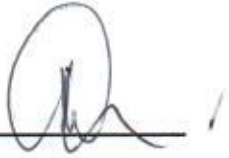
➤ R138 million equitable share was received in July 2016

2.6 Table 13: SC7 Grant Expenditure

Description	Budget Year 2016/17							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
EXPENDITURE								
<u>Operating expenditure of Transfers and Grants</u>								
Operating Transfers and Grants	336 999	-	-	23 276	28 083	(4 807)	-17,1%	336 999
National Government	279 315			23 276	23 276	-		279 315
Local Government Equitable Share	47 937				3 995	(3 995)	-100,0%	47 937
RSC Levy Replacement	3 169				264	(264)	-100,0%	3 169
EPWP Incentive	1 460				122	(122)	-100,0%	1 460
Finance Management	5 118				427	(427)	-100,0%	5 118
special support councillor remuneration					-	-		
	1 200	-	-	-	100	(100)	-100,0%	1 200
Provincial Government	1 200				100	(100)	-100,0%	1 200
Total operating expenditure of Transfers and Grants:	338 199	-	-	23 276	28 183	(28 183)	-100,0%	338 199
<u>Capital expenditure of Transfers and Grants</u>								
Capital Transfers and Grants	262 691	-	-	-	21 891	(21 891)	-100,0%	262 691
National Government	178 506				14 876	(14 876)	-100,0%	178 506
MIG	81 807				6 817	(6 817)	-100,0%	81 807
rural asset management grant	2 378				198	(198)	-100,0%	2 378
Total capital expenditure of Transfers and Grants	262 691	-	-	-	21 891	(21 891)	-100,0%	262 691

➤ There was grant expenditure recorded in the month of July 2016

Prepared by _____



Accountant: Budget

Reviewed by: _____

Senior Manager Finance



Approved by: _____

Chief Financial Officer

2.7. Municipal Manager's quality certificate

I **Sifiso Nicholas Kunene**, Municipal Manager of UThukela District Municipality, hereby certify that the Section 71 and supporting documentation for July 2016 have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name : SN KUNENE

Signature

A handwritten signature in black ink, appearing to be 'SN KUNENE', is written over a horizontal line.

Date : 16 August 2016