

13063

FINANCIAL REPORTING AS AT 31 JANUARY 2019

This report served before the Financial Services Portfolio Committee on 26 February 2019. The report was noted.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 January 2019 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

Section 71 of the Municipal Finance Management Act (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with, in terms of the mentioned Act.

The Accounting Officer of the Municipality must report by no later than 10 working days after the end of each month to the Mayor and the relevant Provincial Treasury, a statement in the **prescribed format** on the state of the Municipality's budget.

Section 66 of the Municipal Finance Management Act further prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a format and for the prescribed period. It is considered appropriate to report on this section of the Act on a monthly basis to coincide with the reporting requirements of Section 71(1) of the Act.

As mentioned above, the MFMA Section 71 (1) refers to a prescribed format according to which the annual budget is required to be prepared. The National Treasury issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out.

Furthermore, the National Treasury issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from July 2010.

The objectives of the budget format reforms in terms of these regulations are:

- ❖ To ensure that the Municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing Municipal Budget and Financial Reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of Municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs issued the Municipal Regulations on Standard Chart of Accounts as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 April 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations took effect from 1 July 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective, the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the Standard Chart of Accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the Standard Chart of Accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by the National Treasury.

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

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

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

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of January 2019 is included under **Annexures Z and AA (DMS 1326568)**.

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PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF JANUARY 2019

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

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

The Mayor has considered the Section 71 report for the month of January 2019, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 2018. A detail of all the points highlighted by the Mayor is included in the report.

Operational Budget

The monthly budget statement summary (Table C1) for the month of January 2019 (year to date actual) shows a surplus of R92,8 million. This is R72,9 million below the Pro-rata target R165,6 million, which is a concern. The anticipated surplus for the month is mainly as a result of the higher electricity tariff charged during the winter months as well as the annual rates that is levied for government debtor's months billing as well. The performance in this area is **Acceptable but with concern.**

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is fairly low at R210,8 million (36,50%). This is based on the Adopted Capital Budget of R525 million plus Roll-overs of R52 million (R577 million for Draft Adjustments Budget). Expenditure is expected to rise as the year progresses. The performance in this area although is **not Acceptable proportionately.** The Project steering Committee is monitoring the capital projects to ensure that any issues are resolved promptly.

Cash Flow

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 1,52:1 (331 319/217 827). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is although **not acceptable as it is below the policy target of 2:1, is as a result of a strategic reason in that the Chief Financial Officer has as yet not taken up the R310 million borrowing for this year. As a result the R99,6 million capex spent from borrowings is (see page 8 – source of capex funding) effectively coming out of working capital.**

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. EXECUTIVE SUMMARY

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

3.1 Operating Budget

The following table represents an executive summary for the financial period ended 31 January 2019:

DESCRIPTION	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3,054,873,500	1,836,495,300	1,780,673,950	96.96%
Expenditure	3,016,496,500	1,670,812,100	1,687,848,319	101.02%
Surplus/(Deficit) (Excluding Capital Grants)	38,377,000	165,683,200	92,825,631	

3.2 Cash Flow Situation

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 1,52:1 (331 319/217 827). The Chief Financial Officer has as yet not taken up the R310 million borrowing for this year. As a result of the R99,6 million capex spent from borrowings is effectively coming out of working capital. The tender for the borrowing process will be finalised before 30 June 2019.

3.3 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2018	AMOUNT GAZETTED FOR AUGUST 2018	AMOUNT GAZETTED FOR SEPTEMBER 2018	AMOUNT GAZETTED FOR OCTOBER 2018	AMOUNT GAZETTED FOR NOVEMBER 2018	AMOUNT GAZETTED FOR DECEMBER 2018	AMOUNT GAZETTED FOR JANUARY 2019	TOTAL TO BE RECEIVED AS AT 30/06/2019	AMOUNT RECEIVED AS AT 31/01/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2019	% SPENT	COMMENTS
NATIONAL TREASURY													
Equitable Share	135,940,000		-	-	-	108,752,000	-	326,255,000	244,692,000	81,563,000	190,315,416.67	58%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services
Municipal Infrastructure Grant	30,000,000		-	-	-	45,000,000	-	104,604,000	70,000,000	34,604,000	50,044,346	48%	This expenditure is as per claims submitted to COGTA
Financial Management Grant	-	2,650,000	-	-	-	-	-	2,650,000	2,650,000	-	1,093,748	41%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG			-	6,000,000	-	-	-	16,000,000	-	16,000,000	4,911,057	31%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Programme		1,298,000	-	-	2,335,000	-	-	5,189,000	3,633,000	1,556,000	4,054,750	78%	The grant is for the operational expenditure for EPWP
Infrastructure Skills Development Grant	2,300,000		-	-	-	-	2,700,000	5,000,000	2,300,000	2,700,000	3,056,173	61%	uMhlathuze Municipality is no longer a beneficiary of this National Treasury grant as from the 1st February 2019.
Energy Efficiency and Demand Side management Grant	2,000,000		-	2,000,000	-	-	2,000,000	6,000,000	4,000,000	2,000,000	5,680,426	95%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency
TOTAL NATIONAL TREASURY GRANTS	170,240,000	3,948,000	-	8,000,000	2,335,000	153,752,000	4,700,000	465,698,000	327,275,000	138,423,000	259,155,918	56%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2018	AMOUNT GAZETTED FOR AUGUST 2018	AMOUNT GAZETTED FOR SEPTEMBER 2018	AMOUNT GAZETTED FOR OCTOBER 2018	AMOUNT GAZETTED FOR NOVEMBER 2018	AMOUNT GAZETTED FOR DECEMBER 2018	AMOUNT GAZETTED FOR JANUARY 2018	TOTAL TO BE RECEIVED AS AT 30/06/2019	AMOUNT RECEIVED AS AT 31/01/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2019	% SPENT	COMMENTS
PROVINCIAL TREASURY													
Provincialisation of Libraries	-	-	8,275,000	-	-	-	-	8,275,000	8,275,000	-	13,720,773	166%	Expenditure shown is the total operating cost of the Libraries for the period. The Gazetted amount was received in November and we will therefore show it on the November Financial report.
Community Library Services Grant (Cyber cadets)	-	-	1,576,000	-	-	-	-	1,576,000	1,576,000	-	699,732	44%	Expenditure shown is the total operating cost of the Cybercadets for the period. The Gazetted amount was received in November and we will therefore show it on the November Financial report.
Housing Operating Account	-	-	2,213,000	-	-	-	-	2,213,000	896,166	1,316,834	7,276,347	329%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	192,000	-	-	-	-	192,000	192,000	-	2,609,898	1359%	Expenditure shown is the total operating cost of the Museum.
Sports and Recreation-Operational	-	-	50,000					50,000	-	50,000	-	0%	Sports and Recreation - Operational
Sports and Recreation-Capital	-	-	7,850,000					7,850,000	2,616,500	5,233,500	1,399,385	18%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
TOTAL PROVINCIAL TREASURY GRANTS	-	-	20,156,000	-	-	-	-	20,156,000	13,555,666	6,600,334	25,706,135	128%	
TOTAL GRANTS AND SUBSIDIES	170,240,000	3,948,000	20,156,000	8,000,000	2,335,000	153,752,000	4,700,000	485,854,000	340,830,666	145,023,334	284,862,053	59%	

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 January 2019:

FUNCTION	ADOPTED BUDGET 2018/2019	ROLL-OVERS 2017/2018	VIREMENTS	DRAFT ADJUSTED BUDGET	ACTUAL JANUARY 2019 (YTD)	% OF DRAFT ADJUSTED BUDGET SPENT
	R	R	R	R	R	%
Finance and Administration	102,236,000	21,607,800	(4,462,400)	119,381,400	28,754,265	24.09%
Community and Social Services	54,821,300	7,125,900	(3,805,700)	58,141,500	18,035,605	31.02%
Energy Sources	85,472,000	10,640,500	(100,000)	96,012,500	33,722,704	35.12%
Environmental Protection	200,000	38,500	-	238,500	173,855	72.90%
Planning and Development	3,952,500	1,242,200	(356,700)	4,838,000	215,591	4.46%
Public Safety	559,000	-	(60,000)	499,000	200,315	40.14%
Road Transport	133,723,200	4,444,200	9,829,700	147,997,100	54,101,488	36.56%
Sport and Recreation	25,600,400	1,916,600	(14,900)	27,502,100	3,011,924	10.95%
Waste Management	1,700,000	1,325,200	(10,000)	3,015,200	1,191,504	39.52%
Waste Water Management	48,123,200	1,292,000	(200,000)	49,215,200	39,064,998	79.38%
Water	68,773,200	2,756,800	(820,000)	70,710,000	32,336,890	45.73%
	525,160,800	52,389,700	-	577,550,500	210,809,139	36.50%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2018/2019	ROLL-OVERS 2017/2018	DRAFT ADJUSTED BUDGET	ACTUAL JANUARY 2019 (YTD)	% OF DRAFT ADJUSTED BUDGET SPENT
	R	R	R	R	%
Borrowing	310,000,000	-	310,000,000	99,573,325	32.12%
Capital Replacement Reserve	85,937,000	52,389,700	138,326,700	54,190,676	39.18%
MIG	99,373,800	-	99,373,800	46,453,654	46.75%
Government Grants - National	22,000,000	-	22,000,000	10,591,483	48.14%
Government Grants - Provincial	7,850,000	-	7,850,000	-	0.00%
TOTAL	525,160,800	52,389,700	577,550,500	210,809,138	36.50%

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 January 2019:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	812,123,200	464,357,000	439,229,159	94.59%
Remuneration of Councillors	31,880,800	18,110,600	17,687,925	97.67%
Debt Impairment	26,512,500	15,465,800	15,465,800	100.00%
Depreciation and asset impairment	376,066,000	219,381,300	219,377,835	100.00%
Finance Charges	67,884,000	39,599,000	39,599,000	100.00%
Bulk Purchases - Electricity	897,363,700	527,371,800	510,857,894	96.87%
Bulk Purchases - Water	103,581,500	59,325,500	69,863,321	117.76%
Other Materials	114,232,700	56,916,300	68,996,420	121.22%
Contracted Services	312,731,000	140,834,700	188,782,695	134.05%
Transfers and grants	12,533,600	6,513,200	9,705,599	149.01%
Other Expenditure	261,587,500	122,936,900	108,282,671	88.08%
TOTAL	3,016,496,500	1,670,812,100	1,687,848,319	101.02%

Pro-rata adopted budget

The figures shown in the table above for the Pro-Rata Adopted Budget have been extracted from the 2018/19 Adopted Budget Tables – Table SA25 - Budgeted monthly revenue and expenditure.

This table sets out Council's projected monthly revenue and expenditure and has been based on actual revenue and expenditure from previous years. It forms a more accurate comparison than the budget divided by 12 months.

It is important to note that the projected expenditure for the remainder of the financial year shows an acceleration in June 2019 mainly due to the higher tariffs charged for Electricity Purchases as well as other annual costs that are due in June of each year. Departmental spending patterns also accelerate.

Employee related costs

The Salary and wage collective agreement for the period 1 July 2018 to 30 June 2021 has been finalized. The salary increases and respective back pay has been calculated and is included in actual expenditure.

Bulk Purchases - Electricity

Electricity purchases are higher in July and August due to the increased tariff charged by Eskom in the winter months.

Bulk Purchases – Water

It bears noting that Council budgeted for a 5.5% increase in Water Purchases. However, the actual increase as per Mhlathuze Water is as follows:

- Potable water = 8.14%
- Raw water = 7.42%
- Clarified water = 12.11%

Other Materials

Included under Other Materials are the following items that have exceeded the pro-rata budget:

	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT	% ADOPTED BUDGET SPENT
	R	R	R	%	%
Materials for Fleet Maintenance	8,225,100	4,935,100	7,362,479	149.19%	89.51%
Materials for Maintenance on Rural Roads	18,419,400	11,051,600	15,484,499	140.11%	84.07%

It is important to note that if the current spending pattern continues the respective departments will exhaust their 2018/19 Adopted Budget allocations before the end of the financial year. Each department will then need to identify savings from other items and prepare the necessary virements.

Contracted Services

Included under Contracted Services are the following items that have exceeded the pro-rata budget:

	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT	% ADOPTED BUDGET SPENT
	R	R	R	%	%
Outsourced Services:Sewerage Services	87,353,800	54,159,400	64,213,305	118.56%	73.51%
Outsourced Services: Internal Auditors	3,652,200	2,264,400	4,553,754	201.10%	124.69%
Contractors: Safeguard and Security	30,887,100	19,150,000	28,551,090	149.09%	92.44%
Consultants and Professional Services: Business and Advisory: Project Management - ERP Project Managers	5,200,000	3,224,000	10,697,875	331.82%	205.73%
Contractors: Maintenance of Buildings and Facilities - Telemetry	6,523,500	4,044,600	4,651,032	114.99%	71.30%

It is important to note that if the current spending pattern continues the respective departments will exhaust their 2018/19 Adopted Budget allocations before the end of the financial year. Each department will then need to identify savings from other items and prepare the necessary virements.

However, with regards to Internal Audit and the ERP Project Manager, additional funding has been requested by the user department and this funding will need to be sourced during the adjustment budget process.

Transfers and grants

The following the transfers and grants were paid during the period under review:

Programmes	R
Richards Bay Football Club	2,500,000
Women's Day celebration	100,000
Aerobics Marathon	100,000
Disaster Management	136,907
Soul And Jazz Experience	1,555,000
Madiba Jive	250,000
Sponsorship Of Face Of Mzansi Finalist 2018	6,000
Catering for 1300 Maidens	203,050
Operation Siyaya Emhlangeni	197,677
Last Dance Festival	1,000,000
All Wards-Ingoma Competition	37,250
Nkosi Mthiyane Schools Tournament	100,000
God's Power Gospel Celebration Tour	30,000
Jabulani Shandu Ematshane Production	30,000
4th Annual Spring Tour Music Festival	300,000
Cebile Live Music Concept	15,000
Posters For Poet And Comedy Show	10,800
Umhlathuze Music Festival	100,000
Sisters Help Desk Corner	500,000
Dolosfees	200,000
Housing Project at Esikhaleni J1 Damaged by Sewer Line	22,800
Jabulani Shandu Ematshane Productions - Assistance	20,000
Other special programmes (Youth, religious sector, policy formulation, Operation Sukuma Sakhe)	1,193,669
Economic Development programmes	260,870
Downstream Aluminium Centre For Technology	188,000
uMhlathuze Tourism Organisation	116,946
Bursaries (Non-Employee) – children of employees	111,630
Richards Bay SPCA & Empangeni SPCA	420,000
	9,705,599

77% of the total budget for transfers and grants has already been spent during the first four months of the year.

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	474,453,400	295,021,400	295,582,178	100.19%
Service Charges – Electricity revenue	1,579,530,100	917,238,400	837,220,251	91.28%
Service Charges – Water revenue	337,842,300	191,591,000	241,544,371	126.07%
Service Charges – Refuse revenue	80,371,500	47,241,000	48,083,787	101.78%
Service Charges – Sanitation revenue	99,625,200	55,797,100	57,960,673	103.88%
Rental of facilities and equipment	8,448,800	4,685,200	4,296,554	91.70%
Interest earned – external investments	55,000,000	15,782,300	20,741,575	131.42%
Interest earned – outstanding debtors	3,397,900	2,171,300	2,077,108	95.66%
Fines	4,087,300	1,752,600	3,631,874	207.23%
Licences and permits	3,807,500	2,102,900	2,163,022	102.86%
Agency services	7,796,500	4,577,200	3,819,842	83.45%
Operating Grants and Subsidies	356,638,300	271,164,200	259,611,388	95.74%
Gains on Disposal of PPE	-	-	1,207,358	0.00%
Other Revenue	43,874,700	27,370,700	2,733,969	9.99%
TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)	3,054,873,500	1,836,495,300	1,780,673,950	96.96%

The above table represents operating revenue per category as at 31 January 2019.

Pro-rata adopted budget

The figures shown in the table above for the Pro-Rata Adopted Budget have been extracted from the 2018/19 Adopted Budget Tables – Table SA25 - Budgeted monthly revenue and expenditure.

This table sets out Council's projected monthly revenue and expenditure and has been based on actual revenue and expenditure from previous years. It forms a more accurate comparison than the budget divided by 12 months.

Rates - Includes annual rates billing from annual rate payers, i.e. government accounts.

Rental of facilities and equipment – Decreased due to cancellation of Panda Petroleum's lease agreement.

Agency services – varies as it is dependent on the service rendered to the community and Council earns 8% commission from the revenue raised.

Service Charges - Electricity Revenue - Electricity revenue is higher in July and August due to high demand tariffs.

Operating Grants and Subsidies - the pro-rata budget used is as per payment schedule provided by National Treasury. An amount of R244,7 million (75% of the total equitable share) was received as at the end of January 2019.

3.7 Surplus and Deficit by Service Category

SERVICES	ADOPTED BUDGET 2018/2019			ACTUAL AS AT 31 JANUARY 2019		
	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	191	21,843	(21,652)	101	4,663	(4,562)
Finance and Administration	549,274	39,114	510,160	325,016	19,223	305,793
Community and Social Services	20,302	92,392	(72,090)	10,892	53,148	(42,256)
Sport and Recreation	20,464	161,009	(140,545)	2,285	86,183	(83,898)
Public Safety	1,102	71,238	(70,136)	379	43,820	(43,441)
Housing	3,804	17,810	(14,006)	945	10,566	(9,621)
Environmental Protection	1,009	11,050	(10,041)	-	5,283	(5,283)
Planning and Development	18,676	91,739	(73,063)	9,558	50,579	(41,021)
Internal Audit	-	44	(44)	-	2,137	(2,137)
Road Transport	31,850	280,003	(248,153)	7,735	156,847	(149,112)
Waste Water Management (Sanitation) (Portion of PMU funded by Rates & General Services)	-	48,469	(48,469)	-	27,961	(27,961)
Other	8,700	5,966	2,734	2	3,106	(3,104)
Total Rates and General Services	655,372	840,677	(185,305)	356,913	463,516	(106,603)
Airport	736	115	621	-	32	(32)
Trading Services						
Electricity	1,596,982	1,292,648	304,334	837,040	723,534	113,506
Water	491,501	462,737	28,764	309,137	282,591	26,546
Clarified Water	27,219	15,216	12,003	20,392	12,356	8,036
Sewerage	275,326	240,597	34,729	159,045	133,239	25,806
Refuse Removal	145,652	164,506	(18,854)	98,147	72,581	25,566
Total Trading Services	2,536,680	2,175,704	360,976	1,423,761	1,224,301	199,460
Total Service Category	3,192,788	3,016,496	176,292	1,780,674	1,687,849	92,825

The table above sets out the surplus and deficit for each service category. It bears noting that trading services namely, Electricity, Water, Clarified Water, Sewerage and Refuse Removal are expected to be profitable and they are yielding surpluses. **Water is yielding a profit based on inflated drought tariffs and 75% of equitable share have been received to date.**

As part of Council's Revenue Enhancement Policy approved in August 2013, a considerable effort needs to be made to improve the surplus for the remaining trading services by reducing expenditure and increasing revenue. For Rates, the primary solution is to reduce expenditures in specific areas that are Rates dependant.

From a sustainability perspective, it is of particular concern that all functions funded by Rates and General Income are not breaking even.

Taking into cognisance the above mentioned points, a revenue diversification project is at planning stage and the document has been prepared under **DMS 1277516** to enable Council to enhance existing revenue streams and to attract investments in the City that will provide revenue growth in the City and lessen the catastrophic risk of high reliance with revenue from electricity service charge.

3.8 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	8,712,806	1,560,085	139,123	11,441,056	21,853,070
Business	219,231,121	9,293,015	6,010,031	58,426,225	292,960,392
Households	57,116,297	6,800,061	5,969,883	116,004,981	185,891,222
Other	3,667,742	434,138	337,778	7,679,336	12,118,994
Total	288,727,966	18,087,299	12,456,815	193,551,598	512,823,678
%	56.30%	3.53%	2.43%	37.74%	

FINANCIAL REPORTING ON INCOME / DEBT

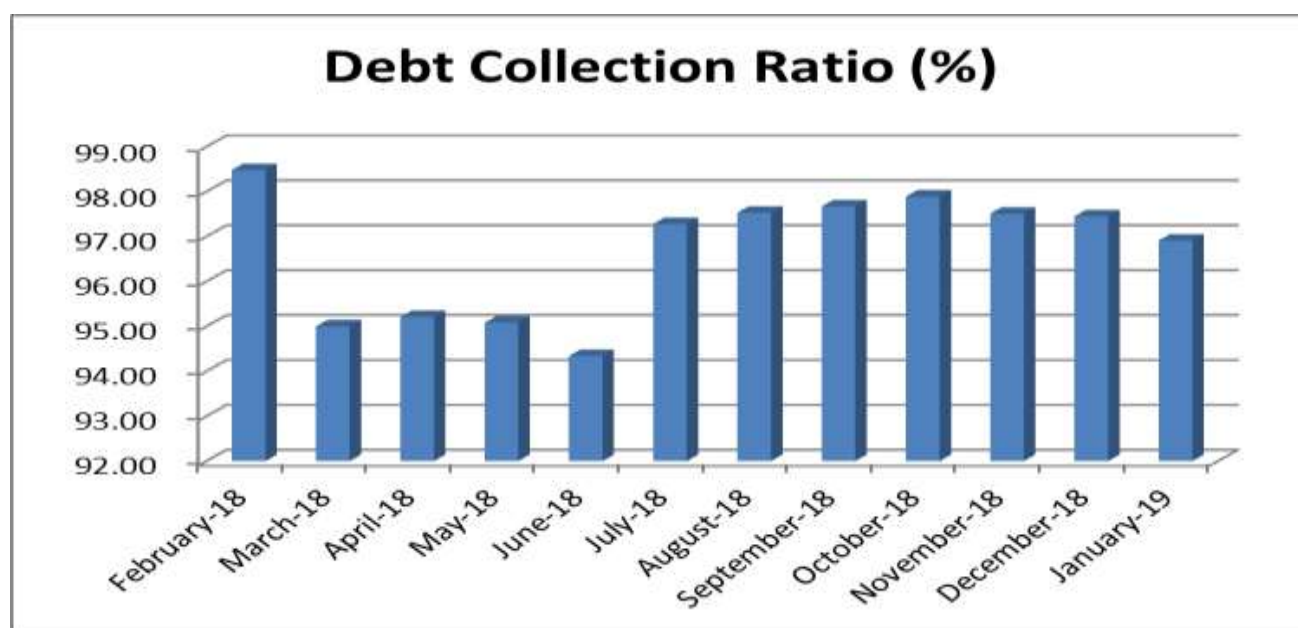
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National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

➤ Debt Collection Rate

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

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

Month	Debt Collection Ratio (%)
January-19	96.91
December-18	97.45
November-18	97.51
October-18	97.89
September-18	97.67
August-18	97.53
July-18	97.28
June-18	94.34
May-18	95.08
April-18	95.21
March-18	95.00
February-18	98.48



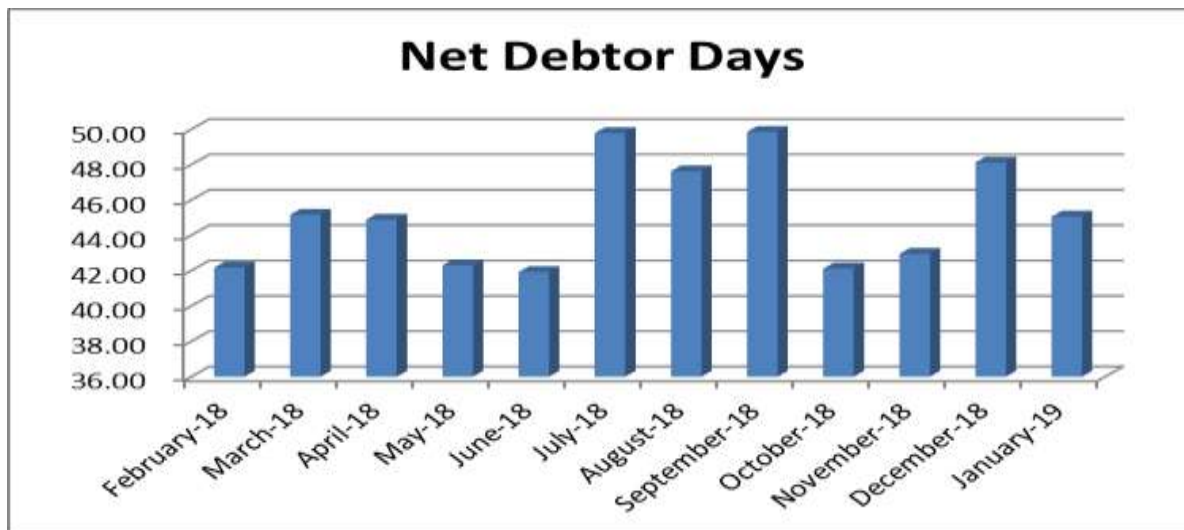
➤ **Net Debtors Days**

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

The Ratio excludes balances for Debtors which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of Credit Control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful debts.

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

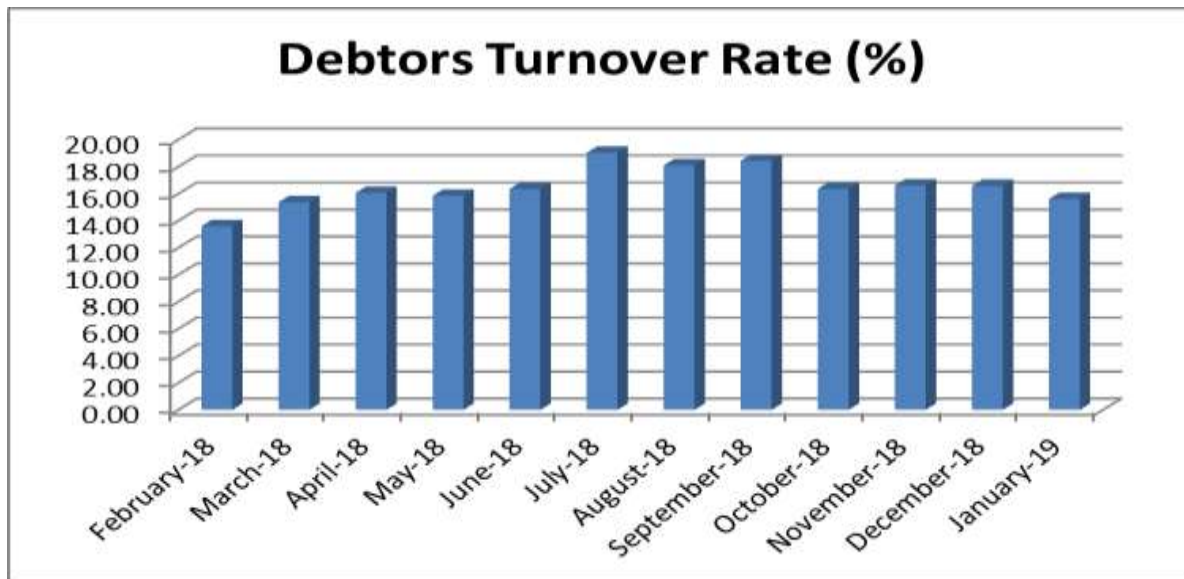
Month	Net Debtor Days
January-19	45.06
December-18	48.13
November-18	42.95
October-18	42.12
September-18	49.86
August-18	47.63
July-18	49.79
June-18	41.92
May-18	42.30
April-18	44.89
March-18	45.17
February-18	42.17



Debtor's Turnover Rate

The norm is to be below 20%:

Month	Debtors Turnover Rate (%)
January-19	15.62
December-18	16.58
November-18	16.62
October-18	16.36
September-18	18.44
August-18	18.11
July-18	19.04
June-18	16.36
May-18	15.85
April-18	16.07
March-18	15.37
February-18	13.60



Top Ten Business Debts

Summary of Top 10 Debtors			
Debtor No	Name	91 Days +	Total
1854904	BASFOUR 3721 (PTY) LTD	22 377 589.88	22 377 589.88
2289941	PANDA PETROLEUMS	4 999 580.92	5 003 941.44
2247701	BEST CUT MEAT (PTY) LTD	3 227 845.10	3 692 962.86
416383	RIVER ROCK INVEST (PTY) LTD	2 413 162.62	2 665 792.34
1675831	KING CETSWAYO DISTRICT MUNICIPALITY	1 384 240.40	6 496 084.97
392020	RIVER ROCK INVEST (PTY) LTD	1 376 597.26	2 237 157.25
551583	KING CETSWAYO DISTRICT MUNICIPALITY	1 063 903.68	5 426 101.85
2368872	CADRE PROPERTIES PTY LTD	827 631.21	974 477.58
1632348	KING CETSWAYO DISTRICT MUNICIPALITY	706 804.18	2 153 256.32
1592230	CALANDRA TRADING 592 CC	680 163.45	923 123.74
		39 057 518.70	51 950 488.23

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

The administration around this legal process is managed by Financial Services. Basfour 3721 (Pty) Ltd / Indlovu Dev Trust Trustees is the account for the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate. The developer disputed the account. The dispute is of a contractual nature. The account was handed over to Council's attorneys. Summons were issued and the case was defended. The setting down of the court date by the Registrar of the High Court for the claim is still awaited. The advocate has provided a summary of the pre-trial processes that must now be completed. It includes several consultations with the relevant officials and witnesses.

Update: January 2019

There is no further progress to report and the matter is ongoing

2. **PANDA PETROLEUMS**

The debt is in respect of rental of town land of the proposed truck stop in Alton. The debtor's failure to adhere to the agreement has been reported to the Deputy Municipal Manager: City Development, Property Division to give the debtor notice in terms of the agreement. The debtor's account was handed over to Council's attorneys for collection but the file was pended under request from the Legal Section who advised that they will be dealing with the matter.

The Legal Services (Litigation Sub-Section) advised that it is their view that collection proceedings should proceed. It was confirmed that the agreement between Council and Panda Petroleum was terminated on 12 October 2017 (**DMS 1234550**). Subsequent to the termination, Panda Petroleums requested Council to consider amendment of the lease agreement. This request was considered to be out of time.

The legal process to collect the debt is ongoing

Update: January 2019

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

3. BEST CUT MEAT (PTY) LTD – in business rescue

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

The debtor did not honour the payment arrangement and the electricity to the factory was disconnected. The account was also handed over to Council's attorneys for further collection. There is a guarantee noted on the account and the guarantee was also called up. The electricity is still off. The legal process has now been placed on hold as the company went into Business Rescue. Council's debt remains secured against the property and will be paid in due course.

The Business Rescue Practitioner has now provided his Business Rescue Plan. There is a process where the plan must now be considered by the creditors and this is scheduled for the second week of July 2018. The business rescue plan was adopted by the majority creditors. In terms of the business rescue plan, Council will receive the full outstanding amount on the account. The process is expected to be completed within 3 to 6 months.

The property was sold by the Business Rescue Practitioner (BRP) on a public auction for R2,5 million subject to confirmation. On request by the BRP and the Chief Financial Officer after consultation with the Municipal Manager indicated that Council would accept an amount of R2 million rand in settlement. This is due to the lengthy process that will follow if the sale does not go through and the company is then obliged to go into liquidation.

The matter is still ongoing.

Update: January 2019

The selling price was not acceptable to all preferred creditors and there will now be a second attempt to sell the property on auction.

4. RIVER ROCK INVESTMENTS (PTY) LTD (2 Accounts)

The two (2) accounts for River Rock Investments accounts relates to:

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

Legal Services advised that on 9 January 2018, River Rock Investments served the municipality with a summons wherein they are disputing that the lease expired on 31 May 2017 and the lease is on a month-to-month period until such time that the lease is allocated to another party.

The contract made provision that it must be renewed at least 12 calendar month prior to the termination date and River Rock failed to exercise that option.

Update: January 2019

There is no progress to report.

5. CADRE PROPERTIES

The debt is in respect of the rates for a property in Ntambanana. The debtor had to be traced due to the unavailability of debtor information. Officials are currently in discussion with the debtor to arrange payment.

The debtor disputed the charges in respect of the rates. They advised that under the ex Ntambanana municipality they were paying approximately R5 000 per month and are now expected to pay R33 000 per month. They undertook to raise the matter with the Valuations Section as it might be related to the manner in which the usage has been depicted on the valuation roll.

Update: January 2019

There is no further progress as the Valuation Section is currently considering their submission.

6. CALANDRA TRADING 592 CC

The debt is in respect of the rates and services for a property in Alton. The matter was handed over to Council's attorneys for collection.

Update: January 2019

The legal process is ongoing.

7. KING CETSWHAYO DISTRICT MUNICIPALITY (KCDM)

The accounts relates to a dispute lodged by KCDM regarding the drought water tariff being charged.

Update: January 2018

The matter is ongoing.

Government Debt

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

Government Departments - Summary of ALL Debt									
Government Department	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days-1 Year	Over 1 Year	Total
National	3134353	20812	13794	-7405	21918	1750182	409970	1609897	6 953 520
Provincial	5047909	1622091	88332	238266	109730	2355092	2565035	3435890	15 462 344
Totals	8 182 261	1 642 902	102 126	230 861	131 648	4 105 274	2 975 005	5 045 787	22 415 864
National Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	3 134 353	20 812	13 794	-7 405	21 918	789 714	31 578	1 493 098	5 497 861
Rural Development & land R	0	0	0	0	0	960 467.91	378 393	116 799	1 455 660
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	54 859	25 204	48 725	36 370	87 328	1 790 917	2 018 283	1 442 258	5 503 945
Education	337 425	-27 991	-5 461	5 380	4 969	275 118	32 010	391 336	1 012 786
Human Settlement	79 707	27 566	26 512	25 039	7 063	199 372	77 211	929 632	1 372 102
Department of Transport	180 180	2 892	1 055	130 947	0	0	0	0	315 073
Department of Health	4 300 464	1 594 421	17 502	40 531	10 370	89 673	437 530	672 663	7 163 153
COGTA	0	0	0	0	0	0	0	0	0
Department of Social Welfa	87 909	0	0	0	0	0	0	0	87 909
Department of Agriculture	7 365	0	0	0	0	11	0	0	7 376
SANRAL	0	0	0	0	0	0	0	0	0
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days-1 Year	Over 1 Year	Total
Transnet	2 606 915	180 057	165 726	36 381	25 990	39 788	143 157	104 020	3 302 034
ESKOM	278 218	36 912	-92	791	781	1 263	4 457	30 889	353 219
Inqonyama Trust Board	21 417	10 583	10 583	7 029	7 029	1 459 315	9 699	3 866 122	5 391 777
Telkom	217 389	-1 968	0	0	0	0	0	0	215 421
Foskor	38 581 962	1 108 739	-34 789	0	0	0	0	0	39 655 912
SA Post Office	10 811	2 590	2 577	3 020	2 873	2 926	20 855	0	45 652
Richards Bay IDZ	0	0	0	0	0	0	0	0	0

Comments Regarding Government Debt

A high level meeting was held in Durban between all the relevant government departments and uMhlathuze Municipality officials.

The relevant government departments are very eager to resolve all the arrear accounts and progress has been made to resolve some of the problematic accounts.

Government officials advised that they currently have budget constraints and cannot pay until the new budget is approved.

Update January 2019

A further meeting was held in Richards Bay with Government officials and the outcome was similar to the previous meeting. The departments have no available budget and undertook to settle all outstanding accounts within this financial year. The process is ongoing.

3.9 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 R273 152,71 as per **Annexure AB - DMS 1326568**.

Councillor's debt amounts to R2 041,14 as per **Annexure AC - DMS 1326568**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES - FOR ENTIRE MUNICIPALITY

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

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

4.1 Employee related costs

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

4.1.1 Employee Related Costs - Overtime

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

EXPENDITURE PER CATEGORY	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	(OVER)/ UNDER EXPENDITURE	% OF PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	R	%
Overtime - Non-structured	31,516,500	18,384,625	15,175,069	3,209,556	83%
Overtime - Structured	22,729,300	13,258,758	10,124,282	3,134,476	76%
Shift Additional Remuneration	585,800	341,717	2,145,419	(1,803,702)	628%
TOTAL	54,831,600	31,985,100	27,444,769	4,540,331	86%

The overtime as per the table above has not exceeded 10% and no further comments are required.

In terms of Council Resolution 10542 dated 1 December 2015, Council resolved that:

"2. the overtime paid as compensation for officials that were required to perform overtime work be condoned by Council."

In terms of the approved Overtime Policy, overtime is limited to 10 hours per week. For January 2019, this equates to 5 weeks x 10 hours per week = 50 hours. The Municipal Manager received a request from the Department Community Services to allow the following categories of employees to exceed the maximum overtime hours:

- Lifeguards
- Waste Management
- Traffic Services

The table below shows that the affected employees worked an additional 5 483 hours above the maximum allowed. This equates to an additional expense of R 1,8 million.

FUNCTION DESCRIPTION	OVERTIME AMOUNT	1.5 OVERTIME - ACTUAL HOURS WORKED - STRUCTURED	2 OVERTIME - ACTUAL HOURS WORKED - STRUCTURED	TOTAL HRS - STRUCTURED	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NO OF EMPL
Taxi Ranks	8 792.16	32.00	56.00	88.00	50.00	38.00	1
Sport and Recreation: Beaches and Jetties	146 777.12	272.00	264.00	536.00	400.00	136.00	8
Recreational Facilities - Swimming Pools	151 918.64	224.00	288.00	512.00	450.00	62.00	9
Solid Waste Removal	977 441.14	2 925.00	5 080.00	8 005.00	4 750.00	3 255.00	95
Street Cleaning	527 245.68	1 768.00	3 024.00	4 792.00	2 800.00	1 992.00	56
Grand Total	1 812 174.74	5 221.00	8 712.00	13 933.00	8 450.00	5 483.00	169

This request was due to the number of public holidays for the month of December 2018 and were paid in January 2019.

During the month of January 2019, the employees in the following functions worked overtime of more than 10 hours per week which is the maximum that can be allowed in terms of Council's revised overtime policy (**DMS 854249**).

The following table sets out the applicable information:

EMP NO	NAME	FUNCTION	FUNCTION DESCRIPTION	SALARY SCALE	OCCUPATION	OVERTIME AMOUNT	1.5 OVERTIME - ACTUAL HOURS WORKED - NON-STRUCTURED	2 OVERTIME - ACTUAL HOURS WORKED - NON-STRUCTURED	TOTAL HRS - NON-STRUCTURED	MAXIMUM HRS ALLOWED PER MONTH	DIFFERENCE	NOTES
59188	MABUZA B	FX001001005001	Community Halls and Facilities: Buildings Maintenance	6	GENERAL WORKMAN GR I	9,607.76	40.00	16.00	56.00	50.00	6.00	a
2009053	MKHIZE TH	FX001001005001	Community Halls and Facilities: Buildings Maintenance	4	HANDYMAN	6,472.40	40.00	16.00	56.00	50.00	6.00	b
2016079	NDUNAKAZI NW	FX002001001004	Electricity: Distribution	3	GENERAL WORKER GR I	5,055.60	40.00	16.00	56.00	50.00	6.00	c
NOTES:												
a	Employee 59188 worked 5 hrs x 2 Sunday = 10 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sundays = 16 hours plus 40 hours at 1.5 = 56 hours paid BUT only 50 hours worked											
b	Employee 2009053 worked 5 hrs x 2 Sunday = 10 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 2 Sundays = 16 hours plus 40 hours at 1.5 = 56 hours paid BUT only 50 hours worked											
c	Employee 2016079 worked 5 hrs x 1 Sunday + 5 hrs x 1 Public Holiday = 10 hours but Sunday time is rounded up to 8 hrs therefore 3 hrs x 1 Sunday and 3 hrs x 1 Public Holiday = 6 hours plus 40 hours at 1.5 = 50 hours paid BUT only 50 hours worked											

4.2 Volume of Transfers

Department	Jan-19			Total Volume Of Virements	Total Volume Of Virements	Total Value of Virements
	Capital	Operating	Value	Capital	Operating	R
City Development	-	-	-	3	29	2,645,900
Community and Social Services	-	-	-	13	42	13,444,700
Corporate Services	-	-	-	10	46	18,606,600
Financial Services	-	-	-	4	13	4,476,700
Electrical and Energy Supply Services	-	-	-	5	18	7,535,500
Engineering Support Services	-	-	-	-	8	1,239,400
Roads and Stormwater	-	-	-	1	4	4,517,600
Water and Sanitation Services	-	-	-	4	20	52,874,400
Office of The Municipal Manager	-	-	-	-	12	431,400
Total	-	-	-	40	192	105,772,200

The table indicated above shows the virements received by the Department: Financial Services in January 2019 from the various departments. Pending the approval of the adjusted budget by Council, no virements processed in the month of January 2019.

4.3 Exception reporting - Specific Line items

Security Services - The table below indicates the pro-rata budget and actual expenditure for the line item. The history below gives an indication of the escalation over the last four years:

	2015/2016	2016/2017	2017/2018	2018/2019	
LINE ITEM	YEAR ACTUAL	ACTUAL YTD	INTERIM ACTUAL YTD	PRO-RATA ADOPTED BUDGET	ACTUAL YTD 31/01/2019
	R	R		R	R
SAFEGUARD AND SECURITY	37,924,078	46,469,620	49,720,555	18,017,475	28,551,092

The spending patterns per department are as follows:

DEPARTMENT	ADOPTED BUDGET 2018/2019	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2019 (YTD)	% OF ADOPTED BUDGET OVERSPENT
	R	R	R	R
CITY DEVELOPMENT	1,540,400	898,567	1,244,956	139%
COMMUNITY SERVICES	11,756,500	6,857,958	10,747,051	157%
CORPORATE SERVICES	3,577,600	2,086,933	5,088,539	244%
FINANCIAL SERVICES	2,526,100	1,473,558	1,574,630	107%
ENERGY AND ELECTRICAL SOURCES	5,994,900	3,497,025	2,246,522	64%
INFRASTRUCTURE SERVICES	5,491,600	3,203,433	7,649,394	239%
TOTAL	30,887,100	18,017,475	28,551,092	158%

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

The following monthly budget statement tables (**DMS 1326566**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

6. **DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 January 2019.

7. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 January 2019.

8. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 31 January 2019.

9. 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 2019.

10. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 January 2019.

11. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 January 2019:

- ❑ 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**).

12. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1328037 (Annexure AD)**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details 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.

COMMENTS OF THE MUNICIPAL MANAGER

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

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 January 2019, 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 1326566)**, be noted.