

13711

FINANCIAL REPORTING AS AT 31 OCTOBER 2019

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

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 October 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

DISCUSSION

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 ten (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 October 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 October 2017.

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

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

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

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

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

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

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of October 2019 is included under **Annexures Z and AA (DMS 1377789)**.

TABLE OF CONTENTS

PART 1 - IN-YEAR REPORT	
1.	Mayor's report for the month of January 2019
2.	Resolutions
3.	Executive Summary
3.1	Executive Summary - Operating Budget
3.2	Executive Summary - Cash Flow Situation
3.3	Executive Summary - Grants Balances
3.4	Executive Summary - Capital Budget Summary
3.5	Executive Summary - Expenditure per Category
3.6	Executive Summary - Revenue per Category
3.7	Executive Summary - Debtors Age Analysis
3.8	Executive Summary - Employee Debt and Councillor Debt
4.	In-year budget statement tables
PART 2 - SUPPORTING DOCUMENTATION	
5.	Debtors' Analysis
6.	Creditors' Analysis
7.	Investment portfolio analysis
8.	Allocation and grant receipts and expenditure
9.	Councillor allowances and employee benefits
10.	Capital programme performance
11.	Municipal Manager's quality certification

PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF OCTOBER 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 October 2019, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 2019. 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 October 2019 (year to date actual) shows a surplus of R171 million. The surplus for the month is mainly as a result of equitable share of R151 million received in August 2019. The performance in this area is **Acceptable**.

Capital Budget

Council is in the second quarter of the financial year and capital expenditure is fairly low at R79,4 million (13,04%). This is based on the Adopted Capital Budget plus roll-overs of R608,7 million. Although expected expenditure is expected to rise as the year progresses, this is **not Acceptable**. 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 2,63:1 (612 913/232 855). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area **is Acceptable**.

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 October 2019:

DESCRIPTION	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCT 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 208 768 100	1 187 583 100	1 150 954 943	96,92%
Expenditure	3 234 246 900	1 084 562 300	979 996 067	90,36%
Surplus/(Deficit) (Excluding Capital Grants)	(25 478 800)	103 020 800	170 958 876	

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 2,63:1 (612 913/232 855).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2019/20	AMOUNT RECEIVED FOR QUARTER ENDED OCTOBER 2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/10/2019	% SPENT	COMMENTS
NATIONAL TREASURY						
Equitable Share	362 965 000	151 235 000	211 730 000	120 988 333	33%	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-IUDG	139 988 000	33 662 000	106 326 000	47 142 348	34%	This expenditure is as per claims submitted to COGTA.
Financial Management Grant	2 650 000	2 650 000	-	477 525	18%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG	40 000 000	5 000 000	35 000 000	-	0%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Pogramme	4 492 000	1 123 000	3 369 000	1 094 281	24%	The grant is for the operational expenditure for EPWP
Municipal System Improvement Grant	600 000	-	600 000	-	0%	The grant was received in March from Dora amended Gazette. The grant is to support the Re-demarcated municipalities on transition matters
TOTAL NATIONAL TREASURY GRANTS	550 695 000	193 670 000	357 025 000	169 702 487	31%	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2019/20	AMOUNT RECEIVED FOR QUARTER ENDED OCTOBER 2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/10/2019	% SPENT	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	8 689 000	-	8 689 000	7 711 051	89%	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)	2 283 000	-	2 283 000	356 749	16%	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	2 396 000	-	2 396 000	4 944 714	206%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	202 000	-	202 000	1 287 709	637%	Expenditure shown is the total operating cost of the Museum incurred to date.
Sports and Recreation-Capital	8 243 000	-	8 243 000	-	0%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
TOTAL PROVINCIAL TREASURY GRANTS	21 813 000	-	21 813 000	14 300 223	66%	
TOTAL GRANTS AND SUBSIDIES	572 508 000	193 670 000	378 838 000	184 002 710	32%	

3.4 Capital Budget Summary

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

FUNCTION	ADOPTED BUDGET 2019/2020	ROLL-OVERS 2018/2019	VIREMENTS	MOVEMENTS	SYSTEM BUDGET	ACTUAL SEPTEMBER 2019 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	R		%
Finance and Administration	37 499 800	11 123 800	-	-	48 623 600	3 548 848	7,30%
Community and Social Services	31 533 400	1 298 000	4 000 000	3 959 800	40 791 200	3 966 331	9,72%
Energy Sources	96 909 700	(11 343 100)	-	-	85 566 600	11 821 515	13,82%
Housing	-	6 339 900	-	-	6 339 900	-	0,00%
Planning and Development	33 000 000	1 466 700	-	-	34 466 700	135 604	0,39%
Road Transport	111 408 000	3 653 000	(5 000 000)	7 250 200	117 311 200	19 786 866	16,87%
Sport and Recreation	32 525 000	708 500	-	-	33 233 500	-	0,00%
Waste Management	3 600 000	(1 400 000)	-	-	2 200 000	1 821 500	82,80%
Waste Water Management	75 517 100	(2 984 900)	(2 000 000)	-	70 532 200	18 535 062	26,28%
Water	175 540 000	(8 861 900)	3 000 000	-	169 678 100	19 785 260	11,66%
	597 533 000	-	-	11 210 000	608 743 000	79 400 986	13,04%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2019/2020	ROLL-OVERS 2018/2019	MOVEMENTS	SYSTEM BUDGET	ACTUAL SEPTEMBER 2019 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	R	%
Borrowing	-	44 608 500	-	44 608 500	6 618 811	14,84%
Capital Replacement Reserve	406 301 000	(44 608 500)	11 210 000	372 902 500	41 777 596	11,20%
MIG	132 989 000	-	-	132 989 000	29 712 652	22,34%
Government Grants - National	50 000 000	-	-	50 000 000	1 291 928	2,58%
Government Grants - Provincial	8 243 000	-	-	8 243 000	-	0,00%
TOTAL	597 533 000	-	11 210 000	608 743 000	79 400 987	13,04%

3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET	ACTUAL OCT 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	859 549 700	277 106 700	266 202 584	96,07%
Remuneration of Councillors	32 403 900	9 882 500	10 044 056	101,63%
Debt Impairment	31 453 900	10 484 800	10 484 800	100,00%
Depreciation and asset impairment	408 531 600	136 179 200	136 178 403	100,00%
Finance Charges	70 845 700	23 616 100	23 616 100	100,00%
Bulk Purchases - Electricity	990 263 100	389 074 300	351 061 852	90,23%
Bulk Purchases - Water	106 685 500	35 558 400	38 017 205	106,91%
Other Materials	121 110 200	36 705 800	4 212 736	11,48%
Contracted Services	323 134 900	78 101 100	66 607 258	85,28%
Transfers and grants	12 087 300	3 302 400	7 626 092	230,93%
Other Expenditure	278 181 100	84 551 000	65 944 981	77,99%
TOTAL	3 234 246 900	1 084 562 300	979 996 067	90,36%

Transfers and Grants

Payments of R2,5 million was made to uMhlathuze International Jazz Festival 2019 and R2,5 million was paid to Richards bay FC. These payments are in line with the grants in aid schedule that is monitored by Grants in Aid Committee.

Other Materials

Due to implementation of SAP system, most of materials issued from stores for the month of July and October were made manual. This expenditure will be captured on the system in coming months which will provide a true reflection of materials issued.

This non-recording of expenditure has resulted in a high surplus which does not reflect the true expenditure incurred for the period under review.

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCT 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	520 379 700	205 585 200	191 123 125	92,97%
Service Charges – Electricity revenue	1 573 324 400	568 343 800	534 086 804	93,97%
Service Charges – Water revenue	388 298 900	141 112 200	181 317 518	128,49%
Service Charges – Refuse revenue	113 268 300	39 056 100	31 451 655	80,53%
Service Charges – Sanitation revenue	101 068 000	33 253 900	33 222 441	99,91%
Rental of facilities and equipment	10 802 300	3 980 200	3 478 283	87,39%
Interest earned – external investments	58 000 000	13 071 300	6 531 054	49,96%
Interest earned – outstanding debtors	108 700	27 200	171 057	628,89%
Fines	7 980 600	3 446 800	4 863 760	141,11%
Licences and permits	3 406 700	1 173 600	1 163 258	99,12%
Agency services	5 970 400	1 930 800	2 068 425	107,13%
Operating Grants and Subsidies	390 676 000	165 957 300	151 235 000	91,13%
Other Revenue	35 484 100	10 644 700	10 242 565	96,22%
TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)	3 208 768 100	1 187 583 100	1 150 954 943	96,92%

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

3.7 Debtors Age Analysis

➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	4 009 802	291 615	3 582 959	9 053 968	16 938 344
Business	216 273 601	57 689 672	8 288 347	62 004 722	344 256 342
Households	59 235 750	5 683 643	7 179 998	118 856 524	190 955 915
Other	-765 653	273 646	280 392	8 575 910	8 364 295
Total	278 753 500	63 938 576	19 331 696	198 491 124	560 514 896
%	49,73%	11,41%	3,45%	35,41%	

FINANCIAL REPORTING ON INCOME / DEBT

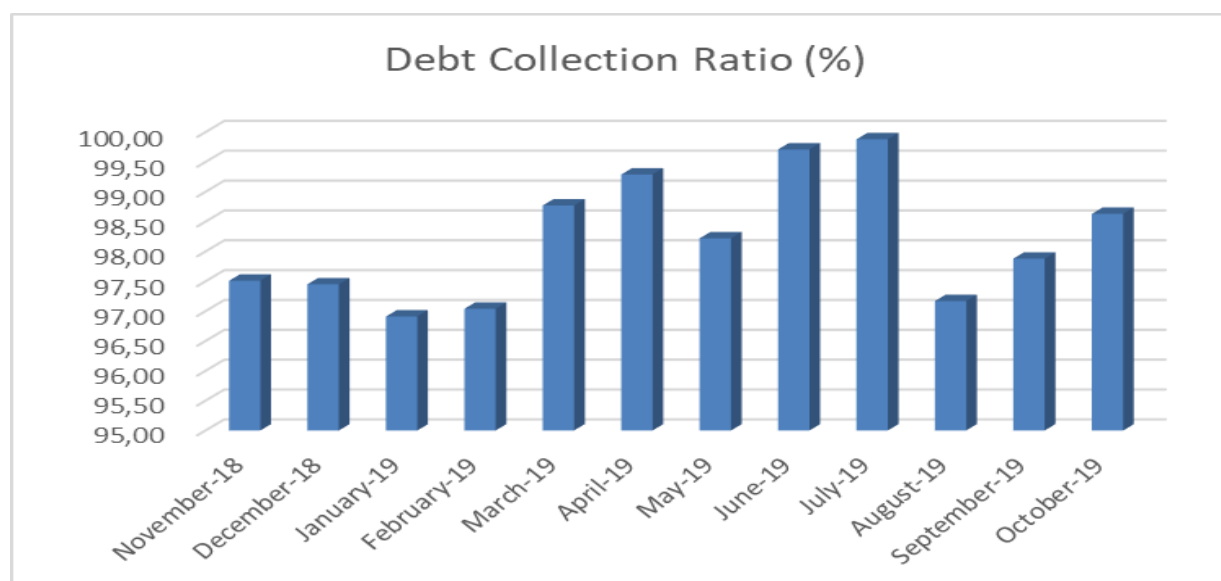
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 (%)
October-19	98,63
September-19	97,88
August-19	97,17
July-19	99,88
June-19	99,71
May-19	98,22
April-19	99,29
March-19	98,77
February-19	97,04
January-19	96,91
December-18	97,45
November-18	97,51



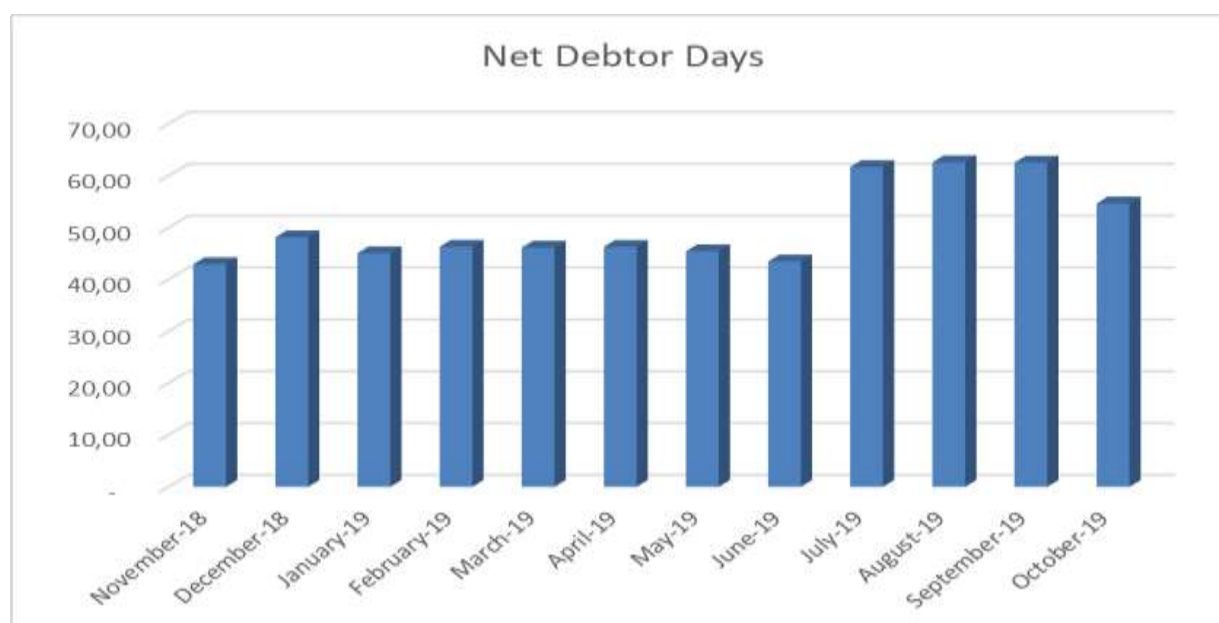
➤ **Net Debtors Days**

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

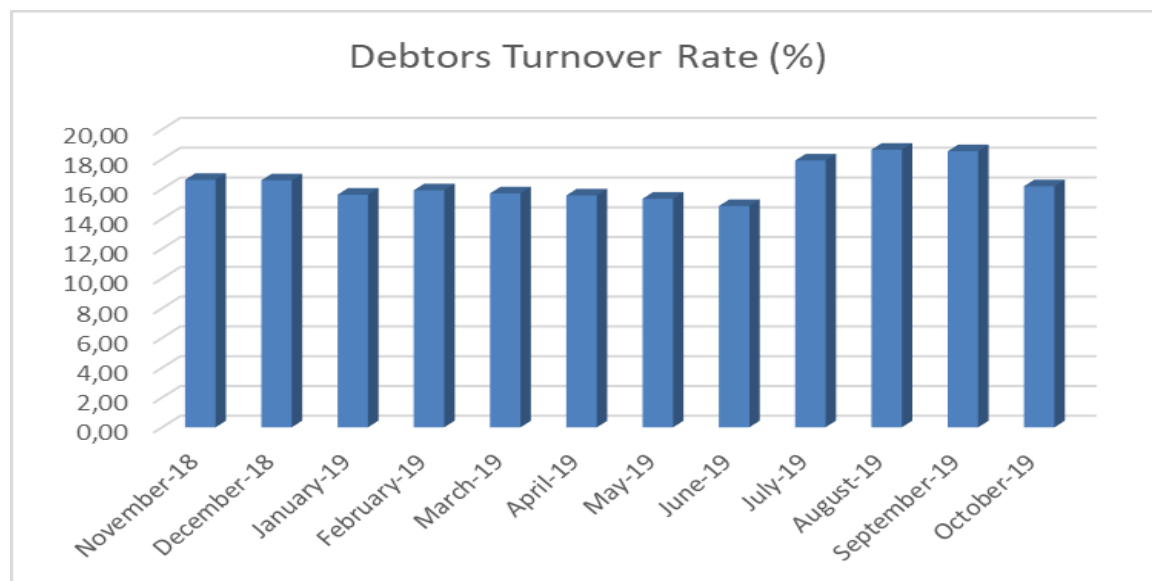
Month	Net Debtor Days
October-19	54,66
September-19	62,54
August-19	62,60
July-19	61,69
June-19	43,48
May-19	45,45
April-19	46,29
March-19	46,15
February-19	46,31
January-19	45,06
December-18	48,13
November-18	42,95



Debtor's Turnover Rate

The norm is to be below 20%:

Month	Debtors Turnover Rate (%)
October-19	16,19
September-19	18,54
August-19	18,64
July-19	17,92
June-19	14,86
May-19	15,35
April-19	15,57
March-19	15,71
February-19	15,92
January-19	15,62
December-18	16,58
November-18	16,62



Top Ten (10) Business Debts

Debtor No	Name		0-30 days	31-60 days	61-90 days	Over 90 days	Grand Total
1854904	BASFOUR 3721 (PTY) LTD	December 2011	-			22 377 589.88	22 377 589.88
1088329	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1 254 159.11	1 278 532.09	1 280 275.56	4 776 359.94	8 589 326.70
1675831	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1 618 220.70	1 400 619.75	1 670 270.36	3 422 574.94	8 111 685.75
551583	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1 082 071.59	1 053 250.98	1 380 596.18	2 945 759.66	6 461 678.41
2289941	PANDA PETROLEUMS	September 2015	1 102.38	1 102.38	1 102.38	5 010 589.88	5 013 897.02
501543	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	418 841.75	723 272.79	936 794.37	2 311 943.34	4 390 852.25
416383	RIVER ROCK INVEST (PTY) LTD	June 2009	65 936.40	65 936.40	65 936.40	2 727 515.89	2 925 325.09
1632348	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	411 867.87	404 506.36	408 985.82	1 440 814.15	2 666 174.20
392020	RIVER ROCK INVEST (PTY) LTD	June 2009	220 629.53	281 880.18	315 337.97	1 376 010.66	2 193 858.34
1317138	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	33 429.16	39 741.83	42 476.42	542 366.73	658 014.14
			5 106 258.49	5 248 842.76	6 101 775.46	46 931 525.07	63 388 401.78

Basfour 3721 (Pty) Ltd

The administration around this legal process is managed by the Finance Services Department.

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

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: October 2019

A report has been completed that will serve shortly to propose a way forward.

Panda Petroleum

This debt is in respect of rental of town land in respect of the proposed Truck stop in Alton. The debtor's failure to adhere to the agreement was 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. Legal Services (Litigation Sub-section) advised that it is their view that collection proceedings should proceed.

It was confirmed that the agreement between Council and Panda Petroleum was terminated on 12 October 2017 (**DMS 1234550**). Subsequent to the termination, Panda Petroleum requested Council to consider amendment of the lease agreement. This request was considered to be out of time.

Update: October 2019

There are negotiations underway with the debtor to settle the matter.

River Rock Investments

There are two (2) accounts for River Rock Investments accounts but only one (1) is in the top 10 list this month. The debt relates to:

- An account for rates that are levied in respect of the Caravan Park while the contract provides that the rental includes the rates.
- An account for rental in respect of the area being used by Imvubu Lodge. They are paying a portion on the rental and have declared a dispute in terms of the provisions of the contract several years back and requested that the matter referred for arbitration. River Rock are paying their monthly charges, excluding the disputed charge.
- 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 basis until such time that the lease is allocated to another party. The contract made provision that it be renewed at least 12-calendar month prior to the termination date and River Rock failed to exercise that option. It has been advised that the debtor's application for the re-instatement of the lease over the Imvubu Lodge area was unsuccessful in the High Court.

Update: October 2019

The dispute process regarding the lease amount and the rates being charges is continuing.

King Cetshwayo District Municipality (KCDM)

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

Update: October 2019

A separate report will be submitted in this regard.

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	3 395 796	158 637	1 028 764	5 527	6 226	6 014	35 044	3 557 473	8 193 480
Provincial	1 096 065	184 268	2 679 545	194 730	127 784	178 086	868 647	6 402 276	11 731 402
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	3 395 796	158 637	155 912	5 527	6 226	6 014	35 044	2 116 376	5 879 531
Rural Development & land Reform	-	-	872 851				-	1 441 098	2 313 949
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	-119 957	101 501	1 797 674	38 686	38 407	43 314	193 951	3 523 501	5 617 077
Education	1 313 544	37 036	497 916	99 025	75 821	38 796	52 571	900 424	3 015 133
Human Settlement	87 920	23 208	236 637	2 361	2 367	923	5 389	979 258	1 338 063
Department of Transport	237 005	982	516	-2 566	353	412	4 901	130 549	372 152
Department of Health	-516 066	21 466	146 682	57 218	10 518	94 635	611 513	868 534	1 294 500
Department of Social Welfare	80 460	-	-	-	-	-	-	-	80 460
Department of Agriculture	13 159	75	120	7	318	7	322	11	14 019
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	5 617 823	161 557	724 643	44 471	27 927	27 658	130 845	139 234	6 874 158
ESKOM	164 761	-126 095	2 309	-5 329	2 134	3 319	13 473	37 408	91 980
Ingonyama Trust Board	585	243	1 558 456	243	243	243	487	5 310 383	6 870 883
Telkom	515 396						-		515 396
Foskor	30 260 298						-		30 260 298
SA Post Office	12 164	3 348	2 810	2 644	2 674	2 660	15 999	29 675	71 974
Richards Bay IDZ	1 557 519						-		1 557 519

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 R87 431,60 as per **Annexure AC - DMS 1377789**.

Councillor's debt amounts to R250 486,34 as per **Annexure AD - DMS 1377789**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1379384**) 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
Table SC13e	Monthly capital expenditure on upgrading of existing assets by assets class	Z

PART 2 - SUPPORTING DOCUMENTATION

5. DEBTORS ANALYSIS

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

6. CREDITORS ANALYSIS

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

7. **INVESTMENT PORTFOLIO ANALYSIS**

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

8. **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 October 2019.

9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

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

10. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 October 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**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**).

11. **MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Refer to **DMS 1379860** (**Annexure AE**).

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.

DISCUSSION HELD BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 26 NOVEMBER 2019

Concerns were expressed in respect of the low spending on Municipal Water Infrastructure-WSIG grant and the same comments as from the previous month under Other Materials expenditure category. In responding, the Deputy Municipal Manager: Infrastructure Services advised that there has been spending on the grant. He mentioned that payments were to be processed manually due to challenges experienced with the new system. However, there was progress in this regard. In addition, the Chief Financial Officer clarified that the report was for the period ending 31 October 2019, and the spending after the said date was not yet available for incorporation in the report but the relevant Deputy Municipal Manager was aware of his department in terms of this spending.

With regard to a comment made regarding the same statement under “Other Materials” expenditure category with no exact completion date for the manual capturing of materials, the Chief Financial Officer highlighted that the reporting was done for transparency purposes. He advised that manual capturing has been completed for the months from July to October 2019 and a challenge currently encountered was with the capital and operational contracts.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 October 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 1379384)**, be noted.