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## FINANCIAL REPORTING AS AT 31 JANUARY 2020

*This report served before the Financial Services Portfolio Committee on 25 February 2020, and simultaneously to the Executive Committee and Council on 26 February 2020.*

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 January 2020 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 January 2020 is included under **Annexures Z and AA (DMS 1394190)**.

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## PART 1 - IN-YEAR REPORTING

### 1. MAYOR'S REPORT FOR THE MONTH OF JANUARY 2020

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 2020, 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 January 2020 (year to date actual) shows a surplus of R183,2 million. The surplus for the month is mainly as a result of equitable share of R271 million received in July and January 2020. The performance in this area is **Acceptable**.

## Capital Budget

Council is at the end of the second quarter of the financial year and capital expenditure is fairly low at R130,7 million (20,93%). This is based on the Adopted Capital Budget plus roll-overs which results in a Proposed Capital Budget of R624,7 million. Expenditure is expected to rise as the year progresses. The performance in this area **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 2,54:1 (590 539/232 855). 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 January 2020:

DESCRIPTION	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2020 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 208 768 100	1 970 743 200	1 894 446 990	96,13%
Expenditure	3 234 246 900	1 873 808 100	1 711 216 990	91,32%
Surplus/(Deficit) (Excluding Capital Grants)	(25 478 800)	96 935 100	183 229 999	

### 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 2,54:1 (590 539/232 855).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2019/20	AMOUNT RECEIVED AS AT 31 JANUARY 2020	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2020	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>						
Equitable Share	362 965 000	272 223 000	90 742 000	211 729 583,33	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
Intergrated Urban Development Grant-IUDG	139 988 000	84 662 000	55 326 000	65 045 273	46%	This expenditure is as per claims submitted to COGTA
Financial Management Grant	2 650 000	2 650 000	-	993 620	37%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Water services infrastructure grant	40 000 000	5 000 000	35 000 000	6 114 418	15%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Pogramme	4 492 000	3 145 000	1 347 000	2 555 202	57%	The grant is for the operatonal expenditure for EPWP
Municipal System Improvement Grant	600 000	-	600 000	-	0%	The grant is to support the Re-dermacated municipalities on transition matters
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>550 695 000</b>	<b>367 680 000</b>	<b>183 015 000</b>	<b>286 438 096</b>	<b>52%</b>	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2019/20	AMOUNT RECEIVED AS AT 31 JANUARY 2020	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/01/2020	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>						
Provincialisation of Libraries	8 689 000	8 689 000	-	13 667 955	157%	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	1 688 000	595 000	807 733	35%	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	8 477 106	354%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	202 000	-	202 000	2 134 601	1057%	Expenditure shown is the total operating cost of the Museum incurred to date.
Sports and Recreation-Capital	8 243 000	4 121 500	4 121 500	-	0%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>21 813 000</b>	<b>14 498 500</b>	<b>7 314 500</b>	<b>25 087 395</b>	<b>115%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>572 508 000</b>	<b>382 178 500</b>	<b>190 329 500</b>	<b>311 525 491</b>	<b>54%</b>	

### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 January 2020:

FUNCTION	ADOPTED BUDGET 2019/2020	ROLL-OVERS 2018/2019	VIREMENTS	MOVEMENTS	SYSTEM BUDGET	ACTUAL JANUARY 2020 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	R		%
Finance and Administration	37 499 800	11 123 800	-	4 175 100	52 798 700	4 696 591	8,90%
Community and Social Services	31 533 400	1 298 000	4 000 000	9 959 800	46 791 200	7 501 978	16,03%
Energy Sources	96 909 700	(11 343 100)	-	4 350 900	89 917 500	25 734 038	28,62%
Housing	-	6 339 900	-	-	6 339 900	-	0,00%
Planning and Development	33 000 000	1 466 700	-	-	34 466 700	1 014 022	2,94%
Road Transport	111 408 000	3 653 000	(5 000 000)	7 250 200	117 311 200	37 340 394	31,83%
Sport and Recreation	32 525 000	708 500	-	-	33 233 500	1 447 775	4,36%
Waste Management	3 600 000	(1 400 000)	-	1 400 000	3 600 000	1 821 500	50,60%
Waste Water Management	75 517 100	(2 984 900)	(2 000 000)	-	70 532 200	24 499 889	34,74%
Water	175 540 000	(8 861 900)	3 000 000	-	169 678 100	26 656 210	15,71%
	<b>597 533 000</b>	<b>-</b>	<b>-</b>	<b>27 136 000</b>	<b>624 669 000</b>	<b>130 712 397</b>	<b>20,93%</b>

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 JANUARY 2020 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	R	R	R	%
Borrowing	-	44 608 500	6 000 000	50 608 500	9 026 016	17,83%
Capital Replacement Reserve	406 301 000	(44 608 500)	21 136 000	382 828 500	78 219 008	20,43%
Integrated Urban Development Grant	132 989 000	-	-	132 989 000	39 220 507	29,49%
Government Grants - National	50 000 000	-	-	50 000 000	3 025 811	6,05%
Government Grants - Provincial	8 243 000	-	-	8 243 000	1 221 055	14,81%
<b>TOTAL</b>	<b>597 533 000</b>	<b>-</b>	<b>27 136 000</b>	<b>624 669 000</b>	<b>130 712 397</b>	<b>20,93%</b>

### 3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 January 2020:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET	ACTUAL JANUARY 2020 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	859 549 700	497 597 900	476 565 509	95,77%
Remuneration of Councillors	32 403 900	18 912 800	17 579 661	92,95%
Debt Impairment	31 453 900	18 348 400	18 348 400	100,00%
Depreciation and asset impairment	408 531 600	238 313 600	238 312 204	100,00%
Finance Charges	70 845 700	41 328 100	40 762 042	98,63%
Bulk Purchases - Electricity	990 263 100	590 988 900	565 933 802	95,76%
Bulk Purchases - Water	106 685 500	60 867 100	65 955 153	108,36%
Other Materials	121 110 200	76 160 200	20 097 253	26,39%
Contracted Services	323 134 900	167 770 200	132 439 317	78,94%
Transfers and grants	12 087 300	5 847 900	9 184 158	157,05%
Other Expenditure	278 181 100	157 673 000	126 039 492	79,94%
<b>TOTAL</b>	<b>3 234 246 900</b>	<b>1 873 808 100</b>	<b>1 711 216 990</b>	<b>91,32%</b>

#### **Transfers and Grants**

Payments of R2,5 million was made to uMhlathuze International Jazz Festival 2019, R2,5 million was paid to Richards bay Football Club and R1 million paid to uMhlathuze NYE Event. 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 from July until November were made manual. The capturing of expenditure has commenced.

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 JANUARY 2020 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	520 379 700	322 318 400	309 518 280	96,03%
Service Charges – Electricity revenue	1 573 324 400	929 870 400	880 719 966	94,71%
Service Charges – Water revenue	388 298 900	234 614 400	262 306 708	111,80%
Service Charges – Refuse revenue	113 268 300	65 524 500	58 300 683	88,98%
Service Charges – Sanitation revenue	101 068 000	58 313 600	54 923 643	94,19%
Rental of facilities and equipment	10 802 300	6 933 400	4 238 972	61,14%
Interest earned – external investments	58 000 000	26 908 900	14 373 286	53,41%
Interest earned – outstanding debtors	108 700	53 300	72 625	136,26%
Fines	7 980 600	5 314 700	7 687 797	144,65%
Licences and permits	3 406 700	2 005 200	1 253 093	62,49%
Agency services	5 970 400	3 431 600	2 765 053	80,58%
Operating Grants and Subsidies	390 676 000	295 437 800	281 800 000	95,38%
Other Revenue	35 484 100	20 017 000	16 486 882	82,36%
<b>TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)</b>	<b>3 208 768 100</b>	<b>1 970 743 200</b>	<b>1 894 446 990</b>	<b>96,13%</b>

The above table represents operating revenue per category as at 31 January 2020.

### 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	14 703 111	(252 387)	331 397	8 443 631	23 225 752
Business	231 381 356	7 527 945	3 539 558	128 707 521	371 156 380
Households	56 546 614	6 081 547	6 223 566	131 763 426	200 615 153
Other	4 450 241	884 671	573 233	8 948 774	14 856 919
<b>Total</b>	<b>307 081 322</b>	<b>14 241 776</b>	<b>10 667 754</b>	<b>277 863 352</b>	<b>609 854 204</b>
<b>%</b>	<b>50,35%</b>	<b>2,34%</b>	<b>1,75%</b>	<b>45,56%</b>	

### FINANCIAL REPORTING ON INCOME / DEBT

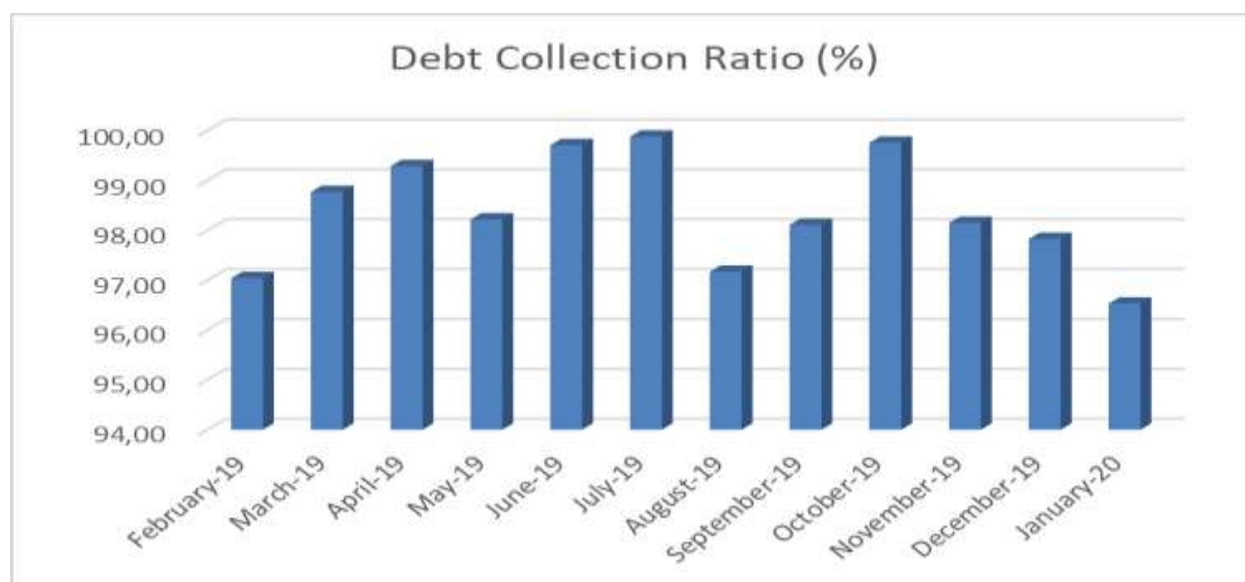
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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:

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

<b>Month</b>	<b>Debt Collection Ratio (%)</b>
January-20	96,53
December-19	97,83
November-19	98,15
October-19	99,76
September-19	98,11
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



➤ **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:

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

<b>Month</b>	<b>Net Debtor Days</b>
January-20	59,28
December-19	58,14
November-19	57,17
October-19	50,55
September-19	61,71
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



## Top Ten (10) Business Debts

TOP 10 DEBTORS							
Debtor No	Name		0-30 days	31-60 days	61-90 days	Over 90 days	Grand Total
531788	MHLATHUZE WATER BOARD	August 2019	430.10	215.05	215.05	51 231 927.33	51 232 787.53
1854904	BASFOUR 3721 (PTY) LTD	December 2011	-			22 377 589.88	22 377 589.88
1088329	King Cetshwayo District Municipality	March 2018	7 514 526.17	1 274 333.53	1 254 159.11	6 321 521.40	16 364 540.21
1675831	King Cetshwayo District Municipality	March 2018	3 069 838.33	1 194 077.03	1 618 220.70	5 528 383.00	11 410 519.06
2289941	PANDA PETROLEUMS	September 2015	2 219.26	1 136.54	1 077.88	5 012 760.48	5 017 194.16
551583	King Cetshwayo District Municipality	March 2018	2 001 538.01	1 299 115.69	1 082 071.59	4 329 579.23	8 712 304.52
501543	King Cetshwayo District Municipality	March 2018	8 470 579.42	907 778.07	418 841.75	3 238 342.90	13 035 542.14
416383	RIVER ROCK INVEST (PTY) LTD	June 2009	131 872.80	65 936.40	65 936.40	2 795 388.69	3 059 134.29
1632348	King Cetshwayo District Municipality	March 2018	674 157.20	388 838.26	411 867.87	1 920 913.09	3 395 776.42
392020	RIVER ROCK INVEST (PTY) LTD	June 2009	468 347.28	220 850.76	220 629.53	1 303 851.99	2 213 679.56
			<b>22 333 508.57</b>	<b>5 352 281.33</b>	<b>5 073 019.88</b>	<b>104 060 257.99</b>	<b>136 819 067.77</b>

### Mhlathuze Water Board

The administration around this legal process is managed by the Finance Department. The debt relates to an overcharge of the Department of Water and Sanitation (DWS) abstraction levies by Mhlathuze Water. The same levies were paid directly by Council to the DWS.

There has been several correspondences and meetings held in this regard. Mhlathuze Water requested extension until end February to review the charges.

### Basfour 3721 (Pty) Ltd

The administration around this legal process is managed by the Finance 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: January 2020

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 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. 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: January 2020**

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 of these accounts 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 period 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: January 2020**

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

### **King Cetshwayo District Municipality (KCDM)**

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

### **Update: January 2020**

A separate report will be submitted in this regard.

## Government Debt

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

<b>Government Departments - Summary of ALL Debt</b>									
<b>Government Department</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91 - 120 Days</b>	<b>121 - 150 Days</b>	<b>151 -180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
National	9 874 707	414 803	174 209	144 778	144 077	89 293	25 325	2 134 943	13 002 134
Provincial	5 825 385	-527 757	421 829	28 799	137 839	1 959 278	845 221	5 485 005	14 175 598
<b>National Departments</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91 - 120 Days</b>	<b>121 - 150 Days</b>	<b>151 -180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Public Works	9 275 440	342 641	179 534	144 778	144 077	79 116	25 325	2 051 277	12 242 188
Rural Development & land Reform	351 826	-12 250	-5 325			10 177		83 666	428 092
Department of Water Affairs and Sanitation	247 441	84 412							331 854
<b>Provincial Departments</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91 - 120 Days</b>	<b>121 - 150 Days</b>	<b>151 -180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Public Works	50 280	8 449	40 547	14 291	82 663	1 558 927	96 155	3 058 394	4 909 706
Education	1 566 196	131 913	131 799	-106 568	5 363	24 559	127 519	264 647	2 145 427
Human Settlement	86 253	42 622	23 605	22 481	22 708	236 637	8 090	996 248	1 438 644
Department of Transport	133 723	7 222	3 720	54 433	472	490	3 258	132 145	335 462
Department of Health	3 871 531	-746 042	222 064	44 157	26 558	138 546	610 045	1 034 020	5 200 879
COGTA									
Department of Social Welfare	112 180	28 004					-500	-460	139 223
Department of Agriculture	5 222	76	93	5	75	120	654	11	6 256
SANRAL								0	0
<b>Other Organs of State</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91 - 120 Days</b>	<b>121 - 150 Days</b>	<b>151 -180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Transnet	4 791 569	181 413	-97 125	37 173	12 592	610 358	167 205	185 948	5 889 132
ESKOM	108 502	11 650	4 166	44 495	-78 177	2 309	14 668	43 287	150 901
Ingonyama Trust Board	725	341	341	243	243	1 558 456	1 217	5 285 808	6 847 374
Telkom	469 595	-47 511							422 084
Foskor	25 127 016								25 127 016
SA Post Office	15 486	2 860	2 897	2 902	3 348	2 810	16 248	37 404	83 955
Richards Bay IDZ	4 218 973	907 117							5 126 090
Mhlathuze Water Board	215	215	215	215	215	51 229 246	215	2 251	51 232 788

### 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 R88 558,12 as per **Annexure AC - DMS 1394190**.

Councillor's debt amounts to R253 227,56 as per **Annexure AD - DMS 1394190**.

### 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1394188**) 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 January 2020.

### 6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 January 2020.

## 7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 31 January 2020.

## 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 January 2020.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 January 2020.

## 10. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 January 2020:

- ❑ 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 1395241** (**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 25 FEBRUARY 2020**

The Chief Financial Officer gave an overview on the status on the implementation of the SAP system. He further responded to concerns/complaints raised which inter alia related to the longer period it was taking for the system to go live as well as the delayed payment of service providers. He mentioned that there were modules that were already functioning and those still under development. Expenditure was one of the modules that was already functioning, however, there was a challenge with the key module which assist in calculating retention portion prior payment to contractors, and the fact that the latter was still under development. It was confirmed that there was a plan in place to process payments and further cleared that the backlog that was referred to in the report was the capturing of the materials issued from stores on the system.

The Committee was urged not to link the issue of low capital expenditure to the new system as the former was characterised by poor planning of projects mainly by Administration. However, it was reaffirmed that quite a number of tenders have been advertised which would eventually undergo bidding processes in near future.

Following a comment made as to whether the available cash would be sufficient once all payments were made, Councillors were requested not to get worried.

In response to a question asked as to whether was there any sort of an evidence from the organisations that Council funds in the form of donations/grants-in-aid as a proof that funds were utilised for intended purposes, the Committee was reminded that the allocations as indicated in the report were not new but were the programmes Council approved to fund long time ago. As far as the issue of evidence was concerned, he alluded to the fact that the extent of Council goes as far as scrutinising each request received and, if it meets all the requirements, was approved by means of either a grant or donation, and no proofs are required thereafter. However, he pointed out that if Councillors felt the need for such, a recommendation could be added in that regard. In exhausting the above discussion, the idea for consideration of adding a recommendation was not supported.

Serious concerns were again raised relating to the lack of spending under grants funding with emphasis on water services infrastructure and sports and recreation. With regard to water services infrastructure grant, more details were required around the support plan referred to in report. In responding, it was highlighted that the plan was more of an operational tool and would not add any value by escalating such to Councillors.

In responding to concerns expressed regarding debtors for businesses, councillors and employees, it was reported that King Cetshwayo District Municipality were disputing the tariff charged on water, and the matter was still proceeding. With regard to employees' debt, arrangements are normally entered into with concerned individuals and that the debt was slowly decreasing though no remarkable difference was visible at that stage. With regard to councillors' debt, confirmation was made that the Offices of the Speaker and Chief Whip are made aware of those Councillors who owns Council. If so required, the Office of the Speaker could be assisted in taking the matter further to higher authorities.

**RECOMMENDED THAT:**

the financial position of the uMhlathuze Municipality as at 31 January 2020, 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 1394188)**, be noted.