

13920
FINANCIAL REPORTING AS AT 31 MARCH 2020

This report is submitted directly to the Executive Committee and Council.

PURPOSE

To submit to Council the financial position of the uMhlathuze Municipality for the quarter ended 31 March 2020, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). The monthly and quarterly requirements in terms of Section 71 and Section 52(d) respectively are also included in this report.

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 |

BACKGROUND

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

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

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

Section 52 (d) of the Municipal Finance Management Act prescribes that the Mayor of a Municipality must within 30 days of the end of each quarter submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality.

The additional monthly reporting as required by Council is also included herein. The MFMA requires that the reporting of the budget (Annual, monthly, mid-year and adjustment) be in terms of a prescribed format.

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 has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out.

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

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

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

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 take effect on 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 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.*
- (b) *service delivery targets and performance indicators for each quarter.”*

The Service Delivery and Budget Implementation Plan (SDBIP) have been segmented into five components. These are:

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source **Annexure AA (DMS 1388928)**;
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote **Annexure AB (DMS 1388928)**;
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote **Annexure AC - AJ (DMS 1388928)**;
- ❑ Component 4: Ward information for expenditure and service delivery **Annexure AK and AL (DMS 1388928)**; and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years **Annexure AM (DMS 1388928)**.

DISCUSSION

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 71 and Section 74 of the MFMA in both printed and electronic formats.

TABLE OF CONTENTS

| | |
|--|---|
| PART 1 - IN-YEAR REPORTING | |
| 1. | Mayoral Report |
| 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 by Source |
| 3.8 | Executive Summary - Debtors Age Analysis |
| 3.9 | Executive Summary - Employee Debt and Councillor Debt |
| 3.10 | Executive Summary - Outstanding Creditors |
| 4. | Exception Reporting - Operating Expenses for Entire Municipality |
| 4.1 | Losses to Council Property |
| 4.2 | Proceeds on Land Sales |
| 5. | In-year budget statement tables |
| PART 2 - SUPPORTING DOCUMENTATION | |
| 6. | Supply Chain Management Policy |
| PART 3 - SUPPORTING DOCUMENTATION | |
| 7. | Debtors' Analysis |
| 8. | Creditors' Analysis |
| 9. | Investment portfolio analysis |
| 10. | Allocation and grant receipts and expenditure |
| 11. | Councillor allowances and employee benefits |
| 12. | Material variances to the Service Delivery and Budget Implementation Plan (SDBIP Component 5 Summary) |
| 13. | Capital programme performance |
| 14. | Municipal Manager's quality certification |
| PART 4 - OTHER LEGISLATIVE REQUIREMENTS | |
| 15. | Withdrawals |

PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF MARCH 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 March 2020, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in February 2020. 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 March 2020 (year to date actual) shows a surplus of R207,9 million. The surplus for the month is mainly as a result of equitable share of R363 million received for 2019/20 financial year. The performance in this area is **Acceptable**.

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is fairly low at R268,9 million (43,18%). This is based on the Adjusted Capital Budget of R622,9 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 2,86:1 (670 900/234 964). 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 March 2020:

| DESCRIPTION | ADJUSTED BUDGET 2019/2020 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUAL MARCH 2020 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|--|---------------------------------|--------------------------------------|-------------------------------|---|
| | R | R | R | % |
| Revenue (Excluding Capital Grants) | 3 198 114 400 | 2 480 150 708 | 2 469 854 671 | 99,58% |
| Expenditure | 3 292 395 000 | 2 311 903 968 | 2 261 987 751 | 97,84% |
| Surplus/(Deficit) (Excluding Capital Grants) | (94 280 600) | 168 246 740 | 207 866 921 | |

3.2 Cash Flow Situation

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2,86:1 (670 900/234 964).

3.3 Grants Balances

| DESCRIPTION OF GRANT | ADJUSTED GRANTS BUDGET 2019/20 | AMOUNT RECEIVED AS AT 31 MARCH 2020 | DIFFERENCE | ACTUAL EXPENDITURE AS AT 31/03/2020 | % SPENT | COMMENTS |
|--|--------------------------------------|---|-------------------|---|------------|---|
| NATIONAL TREASURY | | | | | | |
| Equitable Share | 362 965 000 | 362 965 000 | - | 272 223 750 | 75% | 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 | 139 988 000 | - | 75 802 588 | 54% | This expenditure is as per claims submitted to COGTA |
| Financial Management Grant | 2 650 000 | 2 650 000 | - | 1 187 340 | 45% | 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 | 9 361 045 | 23% | Spending is in accordance with the support plan submitted to National Treasury for the grant |
| Extended Public Works Pogramme | 4 492 000 | 4 492 000 | - | 3 552 307 | 79% | 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 |
| TOTAL NATIONAL TREASURY GRANTS | 550 695 000 | 515 095 000 | 35 600 000 | 362 127 030 | 66% | |

| DESCRIPTION OF GRANT | ADJUSTED GRANTS BUDGET 2019/20 | AMOUNT RECEIVED AS AT 31 MARCH 2020 | DIFFERENCE | ACTUAL EXPENDITURE AS AT 31/03/2020 | % SPENT | COMMENTS |
|--|--------------------------------------|---|-------------------|---|-------------|---|
| PROVINCIAL TREASURY | | | | | | |
| Provincialisation of Libraries | 8 689 000 | 8 689 000 | - | 17 672 670 | 203% | 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 | 1 178 824 | 52% | Expenditure shown is the total operating cost of the Cybercadets for the period. The payment received is per the MOA signed. The shortfall was accounted for in the adjusted budget. |
| Housing Operating Account | 2 396 000 | - | 2 396 000 | 11 051 287 | 461% | Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs. |
| Museum Subsidy | 202 000 | - | 202 000 | 2 654 422 | 1314% | 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 | 18 620 000 | 3 193 000 | 32 557 202 | 149% | |
| | | | | | | |
| TOTAL GRANTS AND SUBSIDIES | 572 508 000 | 533 715 000 | 38 793 000 | 394 684 231 | 69% | |

3.4 Capital Budget Summary

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

| FUNCTION | ADJUSTED BUDGET 2019/2020 | ACTUAL MARCH 2020 (YTD) | % OF ADJUSTED BUDGET SPENT |
|-------------------------------|--|--|---|
| | R | R | % |
| Finance and Administration | 60 143 000 | 17 117 699 | 28,46% |
| Community and Social Services | 48 361 200 | 17 284 816 | 35,74% |
| Energy Sources | 76 054 300 | 41 967 858 | 55,18% |
| Housing | 6 339 900 | - | 0,00% |
| Planning and Development | 35 615 300 | 1 625 464 | 4,56% |
| Public Safety | 178 000 | 10 600 | 5,96% |
| Road Transport | 125 465 500 | 81 070 137 | 64,62% |
| Sport and Recreation | 29 963 500 | 3 854 056 | 12,86% |
| Waste Management | 3 600 000 | 1 821 500 | 50,60% |
| Waste Water Management | 75 559 200 | 43 049 144 | 56,97% |
| Water | 159 951 100 | 61 146 768 | 38,23% |
| | 622 906 000 | 268 948 042 | 43,18% |

The total adopted Capital Budget funding structure is as follows:

| SOURCE OF FUNDING | ADJUSTED BUDGET 2019/2020 | ACTUAL MARCH 2020 (YTD) | % OF ADJUSTED BUDGET SPENT |
|------------------------------------|--|--|---|
| | R | R | % |
| Borrowing | 50 608 500 | 23 854 384 | 47,14% |
| Capital Replacement Reserve | 391 003 500 | 157 342 324 | 40,24% |
| Integrated Urban Development Grant | 132 989 000 | 75 802 588 | 57,00% |
| Government Grants - National | 40 062 000 | 9 667 801 | 24,13% |
| Government Grants - Provincial | 8 243 000 | 2 280 945 | 27,67% |
| TOTAL | 622 906 000 | 268 948 042 | 43,18% |

3.5 Expenditure per Category

| EXPENDITURE BY TYPE | ADJUSTED BUDGET 2019/2020 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUAL MARCH 2020 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|-----------------------------------|---------------------------------|--------------------------------------|-------------------------------|---|
| | R | R | R | % |
| Employee related costs | 859 564 000 | 632 094 153 | 613 970 784 | 97,13% |
| Remuneration of Councillors | 32 403 900 | 23 508 861 | 22 728 645 | 96,68% |
| Debt Impairment | 31 453 900 | 23 590 425 | 23 590 425 | 100,00% |
| Depreciation and asset impairment | 441 378 600 | 319 538 762 | 319 538 762 | 100,00% |
| Finance Charges | 67 458 000 | 51 440 641 | 51 440 425 | 100,00% |
| Bulk Purchases - Electricity | 990 263 100 | 698 585 794 | 710 884 038 | 101,76% |
| Bulk Purchases - Water | 103 685 500 | 80 965 860 | 85 812 548 | 105,99% |
| Other Materials | 119 503 900 | 62 046 272 | 42 829 249 | 69,03% |
| Contracted Services | 363 431 600 | 226 203 936 | 198 920 485 | 87,94% |
| Transfers and grants | 13 755 500 | 10 777 281 | 10 690 186 | 99,19% |
| Other Expenditure | 269 497 000 | 183 151 983 | 181 582 203 | 99,14% |
| TOTAL | 3 292 395 000 | 2 311 903 968 | 2 261 987 751 | 97,84% |

The above table represents operating expenditure per category as at 31 March 2020.

3.6 Revenue by Source

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

| REVENUE BY SOURCE | ADJUSTED BUDGET 2019/2020 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUAL MARCH 2020 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|---|---------------------------------|--------------------------------------|-------------------------------|---|
| | R | R | R | % |
| Rates | 510 226 700 | 392 247 287 | 388 951 041 | 99,16% |
| Service Charges – Electricity revenue | 1 571 924 400 | 1 154 971 861 | 1 119 144 688 | 96,90% |
| Service Charges – Water revenue | 388 298 900 | 322 088 309 | 360 232 455 | 111,84% |
| Service Charges – Refuse revenue | 105 568 000 | 78 324 051 | 70 609 338 | 90,15% |
| Service Charges – Sanitation revenue | 110 768 300 | 75 915 283 | 75 271 958 | 99,15% |
| Rental of facilities and equipment | 10 642 300 | 6 079 814 | 5 493 469 | 90,36% |
| Interest earned – external investments | 58 000 000 | 28 376 985 | 23 275 002 | 82,02% |
| Interest earned – outstanding debtors | 108 700 | 93 726 | 106 949 | 114,11% |
| Fines | 7 480 600 | 8 548 120 | 11 825 344 | 138,34% |
| Licences and permits | 3 406 700 | 1 923 793 | 2 356 071 | 122,47% |
| Agency services | 5 970 400 | 3 735 554 | 4 199 509 | 112,42% |
| Operating Grants and Subsidies | 390 019 000 | 384 286 600 | 373 342 000 | 97,15% |
| Other Revenue | 35 700 400 | 23 559 325 | 35 046 846 | 148,76% |
| TOTAL REVENUE (EXCLUDING CAPITAL GRANTS) | 3 198 114 400 | 2 480 150 708 | 2 469 854 671 | 99,58% |

The above table represents operating revenue by source as at 31 March 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 | 9 461 590 | 867 989 | 275 126 | 8 558 529 | 19 163 234 |
| Business | 286 496 209 | 15 320 330 | 6 597 164 | 137 958 860 | 446 372 563 |
| Households | 63 304 827 | 5 713 046 | 5 575 018 | 139 089 469 | 213 682 360 |
| Other | 5 356 526 | 265 989 | 280 523 | 9 862 967 | 15 766 005 |
| Total | 364 619 152 | 22 167 354 | 12 727 831 | 295 469 825 | 694 984 162 |
| % | 52,46% | 3,19% | 1,83% | 42,51% | |

FINANCIAL REPORTING ON INCOME / DEBT

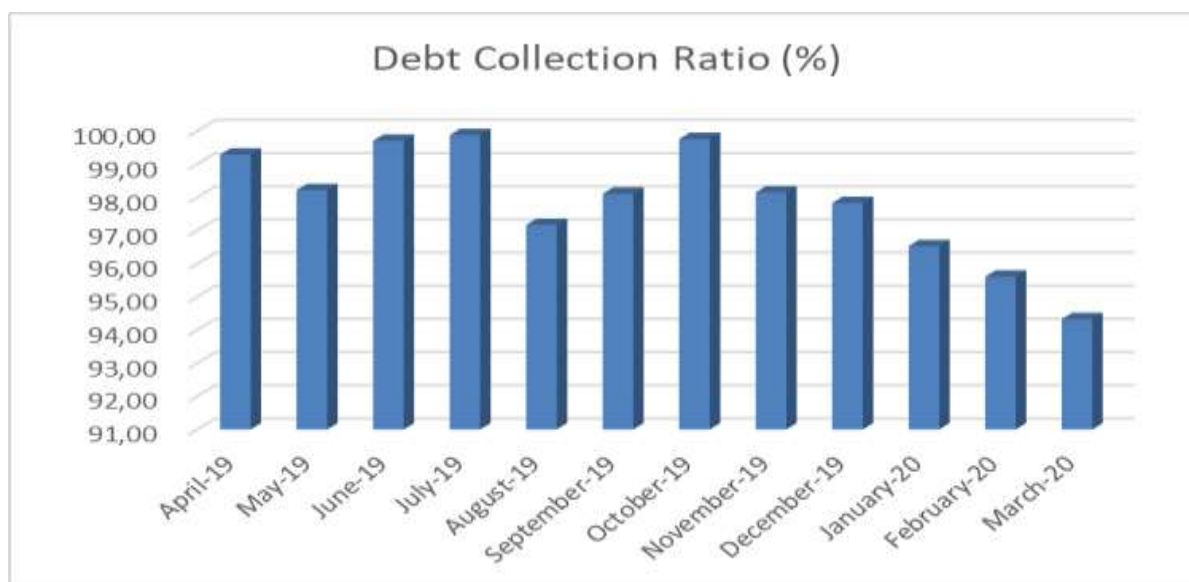
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 (%) |
|--------------|---------------------------|
| March-20 | 94,33 |
| February-20 | 95,61 |
| 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 |



➤ **Net Debtors Days**

This ratio reflects the collection period. Net Debtor Days refers 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 exclude 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:

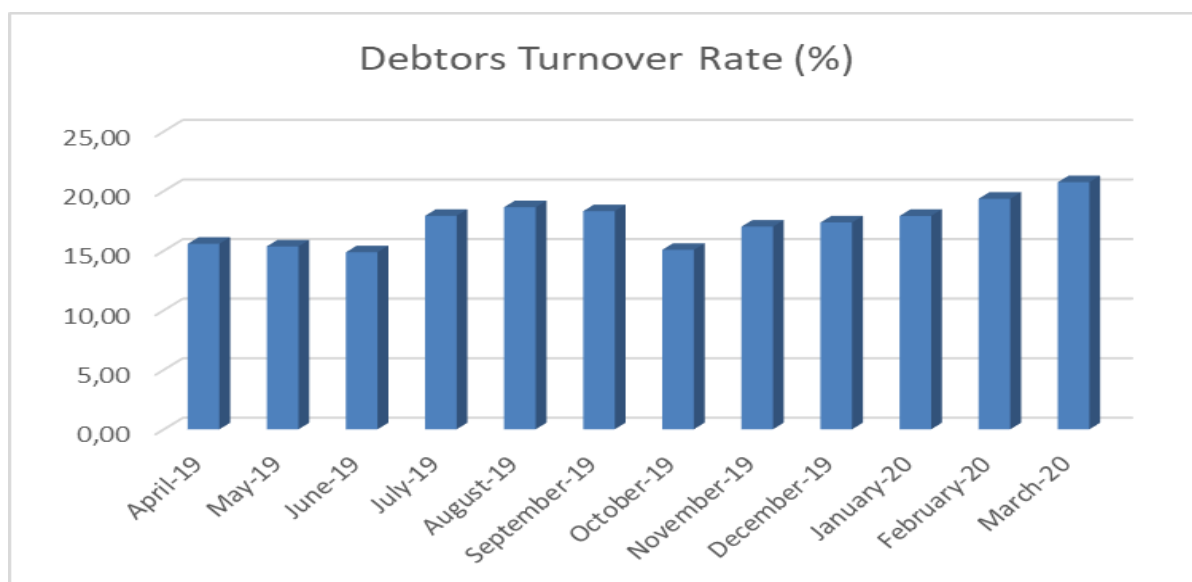
| Formula (As per circular 71) | Norm |
|---|----------------------------|
| $((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$ | The norm is 30 Days |

| Month | Net Debtor Days |
|--------------|-----------------|
| March-20 | 67,88 |
| February-20 | 63,87 |
| 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 |



➤ **Debtors Turnover Rate**

| Month | Debtors Turnover Rate (%) |
|--------------|---------------------------------|
| March-20 | 20,74 |
| February-20 | 19,35 |
| January-20 | 17,91 |
| December-19 | 17,36 |
| November-19 | 17,01 |
| October-19 | 15,06 |
| September-19 | 18,31 |
| August-19 | 18,64 |
| July-19 | 17,92 |
| June-19 | 14,86 |
| May-19 | 15,35 |
| April-19 | 15,57 |



➤ **Top Ten Business Debts**

| TOP 10 DEBTORS | | | | | | | |
|----------------|--------------------------------------|----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Debtor No | Name | Date | 0-30 days | 31-60 days | 61-90 days | Over 90 days | Grand Total |
| 531788 | Mhlathuze Water Board | August 2019 | 215 | 215 | 215 | 51 232 142 | 51 233 218 |
| 1854904 | Basfour 3721 (Pty) Ltd | December 2011 | - | | | 22 377 590 | 22 377 590 |
| 1088329 | King Cetshwayo District Municipality | March 2018 | 5 488 529 | 4 899 002 | 4 587 103 | 11 777 438 | 26 752 072 |
| 1675831 | King Cetshwayo District Municipality | March 2018 | 610 071 | 1 912 469 | 1 834 447 | 9 576 072 | 13 933 059 |
| 501543 | King Cetshwayo District Municipality | March 2018 | 5 519 940 | 7 686 136 | 4 765 897 | 8 269 645 | 26 241 618 |
| 551583 | King Cetshwayo District Municipality | March 2018 | 1 141 492 | 1 485 560 | 1 217 279 | 7 495 025 | 11 339 357 |
| 2289941 | Panda Petroleums | September 2015 | 9 554 | 1 053 | 1 053 | 5 016 141 | 5 027 802 |
| 1632348 | King Cetshwayo District Municipality | March 2018 | 441 141 | 427 075 | 319 589 | 3 076 188 | 4 263 992 |
| 416383 | River Rock Investments (Pty) Ltd | June 2009 | 65 936 | 65 936 | 65 936 | 2 963 134 | 3 160 943 |
| 392020 | River Rock Investments (Pty) Ltd | June 2009 | 244 913 | 236 583 | 240 451 | 1 496 190 | 2 218 137 |
| | | | 13 521 791 | 16 714 031 | 13 031 970 | 123 279 565 | 166 547 787 |

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.

Update: March 2020

No further correspondence or any payments were received. Credit Control action will follow after the lockdown.

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: March 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 DMM 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: March 2020

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

River Rock Investments

There are 2 accounts for River Rock Investments. 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 months 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: March 2020

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

King Cetshwayo District Municipality

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

Update: March 2020

A separate report will be submitted in this regard.

Government Debt

| Government Departments - Summary of ALL Debt | | | | | | | | | |
|--|------------|------------|------------|---------------|----------------|---------------|-----------------|-------------|------------|
| Government Department/S | 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 | 5 781 830 | 855 692 | 293 744 | 219 206 | 142 339 | 142 215 | 169 112 | 1 793 683 | 9 397 819 |
| Provincial | 4 973 273 | 133 038 | 152 614 | 153 158 | 365 826 | 58 039 | 2 546 360 | 5 819 003 | 14 201 310 |
| | | | | | | | | | |
| 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 | 5 547 225 | 374 792 | 175 377 | 147 043 | 147 664 | 142 215 | 158 935 | 1 710 017 | 8 403 268 |
| Rural Development & land Reform | -8 395 | 351 826 | -12 250 | -5 325 | | | 10 177 | 83 666 | 419 698 |
| Department of Water Affairs and Sanitation | 242 999 | 129 074 | 118 367 | 84 412 | | | | | 574 853 |
| | | | | | | | | | |
| 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 | 49 525 | 9 335 | 9 279 | 9 103 | 41 201 | 14 882 | 1 708 375 | 3 127 962 | 4 969 663 |
| Education | 2 233 920 | 89 876 | 67 424 | 83 996 | 67 760 | -49 015 | 111 048 | 251 045 | 2 856 053 |
| Human Settlement | 95 166 | 21 845 | 10 589 | 6 669 | 6 352 | 4 626 | 226 940 | 997 939 | 1 370 127 |
| Department of Transport | 141 552 | -10 324 | 5 251 | 5 744 | 3 304 | 46 848 | 2 578 | 134 956 | 329 907 |
| Department of Health | 2 346 547 | 22 302 | 35 924 | 47 569 | 247 115 | 40 692 | 496 658 | 1 307 002 | 4 543 809 |
| COGTA | -0 | -0 | -0 | -0 | -0 | -0 | -0 | -0 | -0 |
| Department of Social Welfare | 90 426 | -0 | 24 055 | -0 | -0 | -0 | -0 | -0 | 114 481 |
| Department of Agriculture | 16 138 | 5 | 93 | 76 | 93 | 5 | 762 | 99 | 17 270 |
| 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 | 5 774 969 | -166 435 | -198 070 | 153 833 | 20 394 | 19 221 | 743 969 | 231 206 | 6 579 089 |
| ESKOM | 236 315 | 34 833 | 2 766 | 2 750 | 2 900 | 44 495 | -33 802 | 43 621 | 333 879 |
| Ingonyama Trust Board | | | 50 | | | | 1 558 212 | 5 285 808 | 6 844 070 |
| Telkom | 551 134 | | | | | | | | 551 134 |
| Foskor | 54 747 439 | 1 525 140 | | | | | | | 56 272 579 |
| SA Post Office | 13 672 | 2 933 | 2 897 | 2 860 | 2 897 | 2 902 | 17 240 | 42 570 | 87 971 |
| Richards Bay IDZ | 2 138 062 | -77 | | | | | | | 2 137 985 |
| Mhlathuze Water Board | 215 | 215 | 215 | 215 | 215 | 215 | 215 | 51 231 712 | 51 233 218 |

Government Debt Comments

The main issues on Government Debt remain the lack of available budget to the relevant government departments. The debt owing by government departments appear to be a long term issue that will require constant monitoring and intervention.

A dedicated team of officials are working on the government debt to ensure that the debt remain as low as practically possible.

The matter is ongoing.

3.8 Employee Debt / Councillor Debt

At a previous Financial Services Portfolio Committee meeting, Councillors requested that Officials' and Councillors' debt be submitted to Council.

Employees' debt amounts to R85 643,60 as per **Annexure AL - DMS 1388928**.

Councillors' debt amounts to R155 953,49 as per **Annexure AM - DMS 1388928**.

3.9 Outstanding Creditors

At a previous Financial Services Portfolio Committee meeting, Councillors requested that creditors greater than R100 000 outstanding for 90 days and longer be submitted to Council:

Nil

4. EXCEPTION REPORTING

4.2 PROCEEDS FROM LAND SALES

As required in terms of the Chief Financial Officer's Performance Plan (**DMS 1308528**), the following progress on land sales that have been prepared by the Department: City Development and approved by Council for sale, the process followed by the Department Financial Services be noted:

Nil

5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1402550**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

| TABLE NUMBER | DESCRIPTION | ANNEX |
|--------------|---|-------|
| 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. SUPPLY CHAIN MANAGEMENT POLICY

The report will be sent separate due to unavailability of information.

PART 3 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 March 2020.

8. CREDITORS ANALYSIS

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

9. INVESTMENT PORTFOLIO ANALYSIS

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

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 31 March 2020.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

12. MATERIAL VARIANCES TO THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP COMPONENT 5 SUMMARISED)

The first quarter progress on the quarterly projections of Service Delivery Targets and performance indicators is indicated on **Annexures AK**.

Although the detailed Component 5 **is attached as Annexure AK**, the tables below depict a summary of the most applicable components thereof.

NB: (Please note when looking at the detailed version of Component 5 **attached as Annexure AK** each vote is illustrated in number order on the extreme left, vote detail of which is illustrated over 3 pages):

| DEPARTMENT | ADJUSTED BUDGET 2019/20 | SUPPLEMENTS / (RETURNS) | VIREMENTS | SYSTEM BUDGET | ACTUAL YTD AT 31/03/2020 | PERCENTAGE SPENT OF ADOPTED BUDGET (SYSTEM) |
|---|----------------------------|----------------------------|---------------------|--------------------|-----------------------------|---|
| | | | | | | |
| DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT | 63 289 600 | 5 240 800 | (30 000 000) | 38 530 400 | 9 885 528 | 26% |
| CITY DEVELOPMENT | 63 289 600 | 5 240 800 | (30 000 000) | 38 530 400 | 9 885 528 | 26% |
| | | | | | | |
| DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES | 52 998 100 | - | 3 400 000 | 56 398 100 | 14 401 783 | 26% |
| COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY | 9 430 500 | - | - | 9 430 500 | 3 837 743 | 41% |
| COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES | 43 085 700 | - | 3 360 000 | 46 445 700 | 10 544 785 | 23% |
| COMMUNITY SERVICES - PROTECTION SERVICES | 481 900 | - | 40 000 | 521 900 | 19 256 | 4% |
| | | | | | | |
| DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES | 16 223 900 | - | - | 16 223 900 | 3 040 048 | 19% |
| CORPORATE SERVICES - ADMINISTRATION | 8 811 900 | - | - | 8 811 900 | 2 376 796 | 27% |
| CORPORATE SERVICES - ICT | 7 317 000 | - | - | 7 317 000 | 663 252 | 9% |
| CORPORATE SERVICES - HUMAN RESOURCES | 95 000 | - | - | 95 000 | - | 0% |
| | | | | | | |
| CHIEF FINANCIAL OFFICER | 24 317 200 | - | - | 24 317 200 | 19 106 790 | 79% |
| FINANCIAL SERVICES | 24 317 200 | - | - | 24 317 200 | 19 106 790 | 79% |
| | | | | | | |
| DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES | 96 144 100 | - | (3 400 000) | 92 744 100 | 44 574 210 | 48% |
| ELECTRICAL SUPPLY SERVICES | 96 144 100 | - | (3 400 000) | 92 744 100 | 44 574 210 | 48% |
| | | | | | | |
| DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES | 369 933 100 | - | 30 000 000 | 399 933 100 | 177 939 688 | 44% |
| ENGINEERING SUPPORT SERVICES | 100 951 100 | - | - | 100 951 100 | 76 019 311 | 75% |
| TRANSPORT, ROADS AND STORMWATER | 103 282 000 | - | 30 000 000 | 133 282 000 | 56 816 892 | 43% |
| WATER AND SANITATION | 165 700 000 | - | - | 165 700 000 | 45 103 484 | 27% |
| | | | | | | |
| OFFICE OF THE MUNICIPAL MANAGER | - | - | - | - | - | 0% |
| TOTAL OFFICE OF THE MUNICIPAL MANAGER | - | - | - | - | - | 0% |
| TOTAL CAPITAL BUDGET | 622 906 000 | 5 240 800 | - | 628 146 800 | 268 948 047 | 43% |

13. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 March 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**).

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

Refer to **DMS 1404346** (**Annexure AQ**).

PART 4 - OTHER LEGISLATION REQUIREMENTS

15. **WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003) the Accounting Officer must within 30 days after the end of each quarter table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AP (DMS 1351405)** for Form D.

“Withdrawals from municipal bank accounts-

“(a) to defray expenditure authorised in terms of Section 26(4).”

None

“(b) to defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1).” See table below.

None

“(c) in the case of a bank account opened in terms of Section 12 to make payments from the account in accordance with Sub-section (4) of that section.”

None

“(d) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state:”

R7 943 015,15 (NPA vehicle licence pay over).

“(e) to refund money incorrectly paid into a bank account.”

R9 770,08

“(f) to refund guarantees sureties and security deposits.”

R994 360,83 (Refund of credit balances and deposits debtors accounts).

“(g) for cash management and investment purposes in accordance with Section 13.”

Refer to **Annexure O** and **Annexure S**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

The monthly and quarterly financial report is prepared in terms of Section 71 and Section 72 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.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 March 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 1376515)**; be noted.