

14000

FINANCIAL REPORTING AS AT 31 MAY 2020

This report served before the Financial Services Portfolio Committee on 23 June 2020, the Executive Committee and Council on 24 June 2020.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 May 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 May 2020 is included under **Annexures Z and AA (DMS 1407094)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF MAY 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 May 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 May 2020 (year to date actual) shows a surplus of R152,4 million. It has to be noted that in the surplus its revenue that has been billed but not yet collected. Debtors have increased and current collection rate **(see 3,7 debtors age analysis)** has decreased due to national lockdown caused by COVID-19 pandemic which made it difficult for consumers to pay their accounts.

It still remain to be seen the whole impact on the economy of a country but specific of City of uMhlathuze. The wellbeing of local industries will have a big effect on municipal revenue. The performance in this area **will be monitored carefully however it's Acceptable**.

Capital Budget

Council is in the fourth quarter of the financial year and capital expenditure is fairly low at R303 million (48,64%). This is based on the Adjusted Capital Budget of R622,9 million. Due to the pandemic, municipality has not been able to execute projects as planned. This has led to reprioritisation of projects to cater for the current needs of the community during COVID-19 pandemic. Special adjusted budget was adopted by Council on 11 June 2020 which approved all reprioritised projects.

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 2,81:1 (660 715/234 964). 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 May 2020:

DESCRIPTION	ADJUSTED BUDGET 2019/2020	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 198 114 400	2 933 267 890	2 864 196 802	97,65%
Expenditure	3 292 395 000	2 915 882 497	2 711 841 643	93,00%
Surplus/(Deficit) (Excluding Capital Grants)	(94 280 600)	17 385 394	152 355 159	

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 2,81:1 (660 715/234 964).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2019/20	AMOUNT RECEIVED AS AT 31 MAY 2020	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/05/2020	% SPENT	COMMENTS
NATIONAL TREASURY						
Equitable Share	362 965 000	362 965 000	-	332 717 917	92%	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	-	89 264 638	64%	This expenditure is as per report submitted to COGTA. An amount of R7 186 012 will be release to National T reasury to assist with the fight for Covid 19 pandemic .
Financial Management Grant	2 650 000	2 650 000	-	1 378 952	52%	Spending is in accordance with the support plan submitted to National T reasury for the grant.A lot of expenditure will happen at the last quarter of this financial year.
Water services infrastructure grant	40 000 000	5 000 000	35 000 000	9 361 045	23%	An amount of R 15 000 000 will not be transferred to the Municipality as per adjustment gazette 43180 dated 30 March 2020 Stopping and reallocation of funds.
Extended Public Works Pogramme	4 492 000	4 492 000	-	4 417 532	98%	The grant is for the operational expenditure for EPWP.
MUNICIPAL DISATER RELIEF GRANT(COVID 19)	1 192 000	1 192 000		1 736 241	146%	The Grant is used to fund expenditure for the provision of affected basic services inurred during the covid 19 pandemic
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	551 887 000	516 287 000	35 600 000	438 876 325	80%	

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2019/20	AMOUNT RECEIVED AS AT 31 MAY 2020	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/05/2020	% SPENT	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	8 689 000	8 689 000	-	21 364 486	246%	Expenditure shown is the total operating cost of the Libraries for the period.
Community Library Services Grant (Cyber cadets)	2 283 000	1 688 000	595 000	1 458 157	64%	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	13 932 128	581%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	202 000	-	202 000	2 907 831	1440%	Expenditure shown is the total operating cost of the Museum incurred to date.
Sports and Recreation-Capital	8 243 000	8 243 000		2 280 945	28%	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	41 943 546	192%	
TOTAL GRANTS AND SUBSIDIES	573 700 000	534 907 000	38 793 000	480 819 871	84%	

3.4 Capital Budget Summary

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

FUNCTION	ADJUSTED BUDGET 2019/2020	ACTUAL MAY 2020 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	60 143 000	21 843 001	36,32%
Community and Social Services	48 361 200	18 312 808	37,87%
Energy Sources	76 054 300	43 868 188	57,68%
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	88 464 932	70,51%
Sport and Recreation	29 963 500	4 591 803	15,32%
Waste Management	3 600 000	1 821 500	50,60%
Waste Water Management	75 559 200	49 411 571	65,39%
Water	159 951 100	73 021 561	45,65%
	622 906 000	302 971 428	48,64%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2019/2020	ACTUAL MAY 2020 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	50 608 500	26 628 996	52,62%
Capital Replacement Reserve	391 003 500	175 404 746	44,86%
Integrated Urban Development Grant	132 989 000	89 264 638	67,12%
Government Grants - National	40 062 000	9 392 103	23,44%
Government Grants - Provincial	8 243 000	2 280 945	27,67%
TOTAL	622 906 000	302 971 428	48,64%

3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2019/2020	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	859 564 000	783 635 895	747 981 616	95,45%
Remuneration of Councillors	32 403 900	29 438 061	28 855 009	98,02%
Debt Impairment	31 453 900	28 832 742	28 832 742	100,00%
Depreciation and asset impairment	441 378 600	404 597 050	408 238 785	100,90%
Finance Charges	67 458 000	62 119 241	62 118 808	100,00%
Bulk Purchases - Electricity	990 263 100	850 332 254	826 931 793	97,25%
Bulk Purchases - Water	103 685 500	97 331 500	105 227 783	108,11%
Other Materials	119 503 900	101 415 232	45 605 307	44,97%
Contracted Services	363 431 600	314 063 140	236 726 010	75,38%
Transfers and grants	13 755 500	13 342 800	13 112 440	98,27%
Other Expenditure	269 497 000	230 774 582	208 211 349	90,22%
TOTAL	3 292 395 000	2 915 882 497	2 711 841 643	93,00%

3.6 Revenue per Category

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 MAY 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	510 226 700	472 286 287	468 405 056	99,18%
Service Charges – Electricity revenue	1 571 924 400	1 413 414 442	1 306 219 105	92,42%
Service Charges – Water revenue	388 298 900	378 866 811	439 803 471	116,08%
Service Charges – Refuse revenue	105 568 000	96 582 350	86 236 813	89,29%
Service Charges – Sanitation revenue	110 768 300	94 099 183	92 165 263	97,94%
Rental of facilities and equipment	10 642 300	7 475 473	6 771 342	90,58%
Interest earned – external investments	58 000 000	39 499 885	36 037 619	91,23%
Interest earned – outstanding debtors	108 700	99 642	138 315	138,81%
Fines	7 480 600	6 857 217	11 571 670	168,75%
Licences and permits	3 406 700	2 655 293	2 356 071	88,73%
Agency services	5 970 400	4 736 554	4 199 509	88,66%
Operating Grants and Subsidies	390 019 000	384 286 600	373 342 000	97,15%
Other Revenue	35 700 400	32 408 154	36 950 567	114,02%
TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)	3 198 114 400	2 933 267 890	2 864 196 802	97,65%

The above table represents operating revenue per category as at 31 May 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	23 986 739	4 964 846	1 337 843	9 465 611	39 755 039
Business	244 250 862	23 406 748	20 380 391	143 142 701	431 180 702
Households	64 946 551	11 324 822	7 548 994	148 574 690	232 395 057
Other	5 698 531	927 761	1 266 204	10 178 940	18 071 436
Total	338 882 683	40 624 177	30 533 432	311 361 942	721 402 234
%	46,98%	5,63%	4,23%	43,16%	

FINANCIAL REPORTING ON INCOME / DEBT

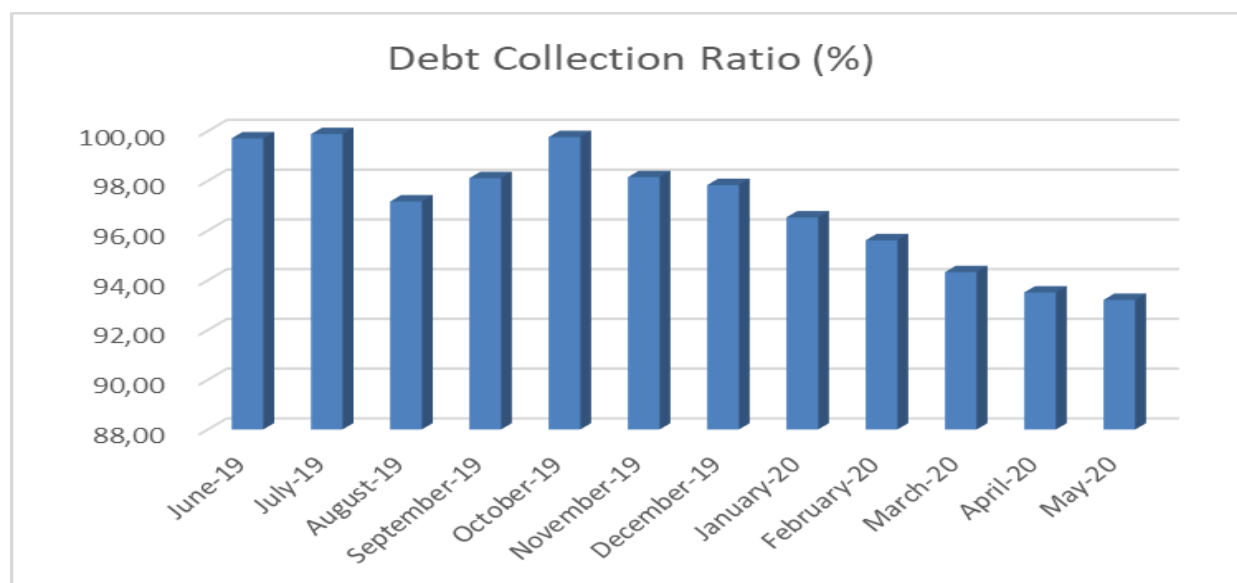
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National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

Formula (As per circular 71)	Norm
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 (%)
May-20	93,21
April-20	93,51
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



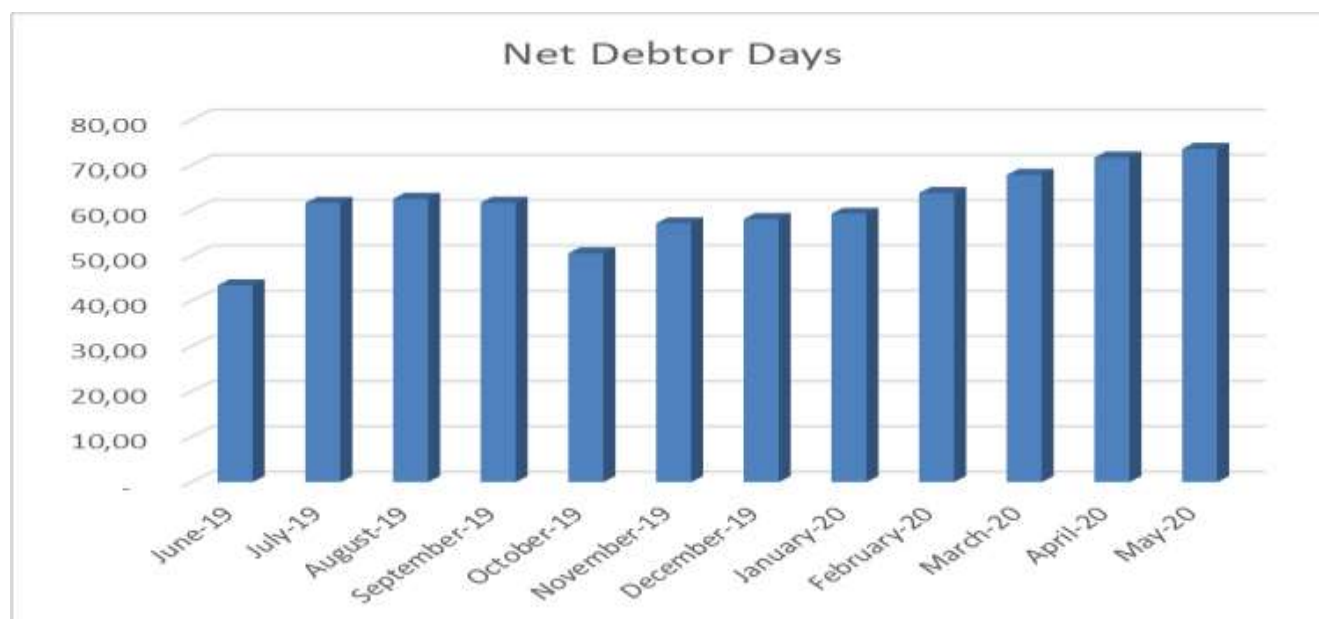
➤ **Net Debtors Days**

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:

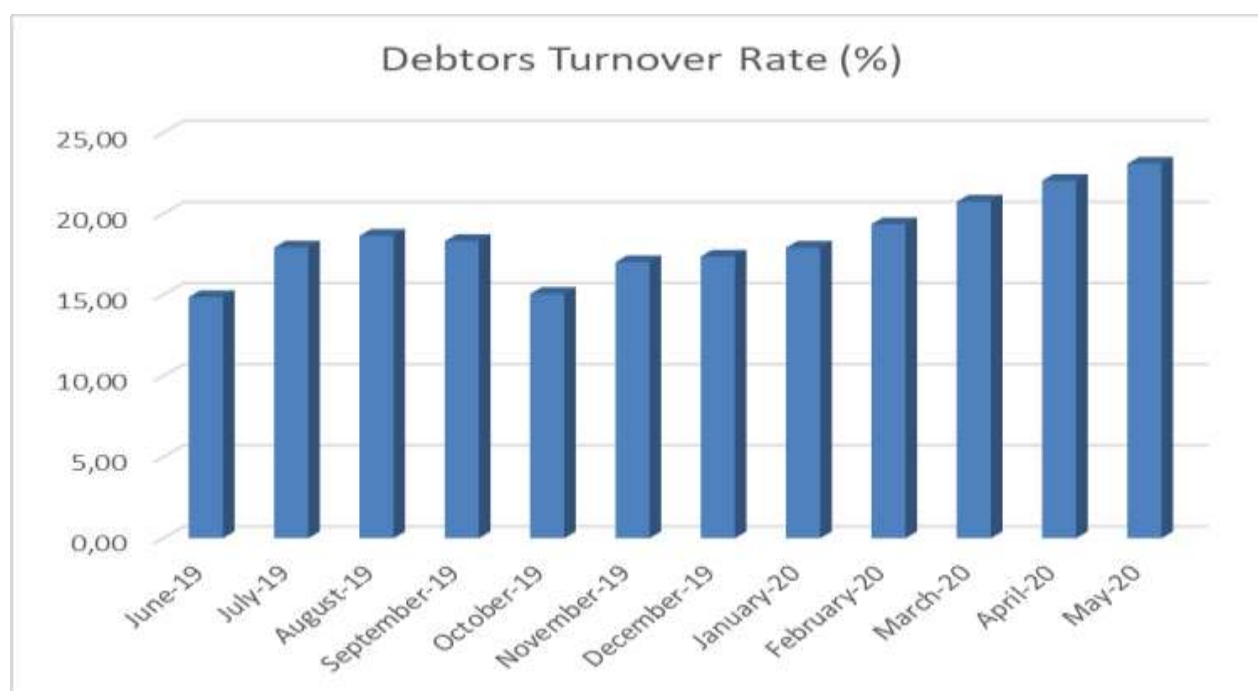
Formula (As per circular 71)	Norm
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is 30 Days

Month	Net Debtor Days
May-20	73,63
April-20	71,71
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



Debtors Turnover Rate

Month	Debtors Turnover Rate (%)
May-20	23,08
April-20	22,03
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



Top Ten (10) 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	430	215	215	51 232 788	51 233 648
501543	King Cetshwayo District Municipality	March 2018	7 152 682	7 048 027	6 861 662	22 389 446	43 451 817
1854904	Basfour 3721 (Pty) Ltd	December 2011	-			22 377 590	22 377 590
1088329	King Cetshwayo District Municipality	March 2018	5 299 897	5 259 583	5 488 529	14 937 780	30 985 790
1675831	King Cetshwayo District Municipality	March 2018	1 306 784	837 885	470 939	10 068 883	12 684 490
551583	King Cetshwayo District Municipality	March 2018	1 309 078	1 135 799	1 518 295	8 232 126	12 195 298
2289941	Panda Petroleums	September 2015	945	857	1 053	5 026 748	5 029 604
416383	River Rock Investments (Pty) Ltd	June 2009	65 936	65 936	65 936	3 095 007	3 292 816
1632348	King Cetshwayo District Municipality	March 2018	426 598	396 141	441 141	2 932 946	4 196 826
392020	River Rock Investments (Pty) Ltd	June 2009	157 114	208 533	244 913	1 597 183	2 207 743
TOTAL			15 719 465	14 952 977	15 092 684	141 890 497	187 655 622

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: May 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: May 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: May 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: May 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: May 2020

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 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
National	8 394 807	4 110 650	1 012 761	693 554	289 838	221 868	423 677	1 798 422	16 945 576
Provincial	16 723 906	1 358 214	859 386	138 753	125 713	152 689	2 595 527	6 154 533	28 108 720
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	8 159 491	3 989 605	899 202	212 654	171 471	149 705	418 826	1 714 756	15 715 709
Rural Development & land Reform	-8 395	-8 395	351 826			-12 250	4 851	83 666	411 303
Department of Water Affairs and Sanitation	243 710	121 045	121 954	129 074	118 367	84 412			818 563
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	55 213	21 781	27 744	9 335	9 279	9 103	1 723 719	3 168 701	5 024 876
Education	13 686 111	931 875	404 193	82 293	65 007	83 996	77 952	297 629	15 629 057
Human Settlement	88 146	22 533	22 499	21 845	10 589	6 669	236 259	999 599	1 408 139
Department of Transport	252 386	112 664	40 181	4 235	4 805	5 657	44 309	108 876	573 114
Department of Health	2 457 190	231 675	363 566	21 039	35 381	47 187	512 670	1 579 387	5 248 096
Department of Social Welfare	169 139	29 459	1 197		558				200 352
Department of Agriculture	15 721	8 227	5	5	93	76	619	340	25 086
SANRAL								-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	5 613 997	263 698	202 334	-33 724	163 857	153 784	733 347	281 214	7 378 508
ESKOM	196 830	45 007	36 516	34 833	2 766	2 750	39 702	49 458	407 862
Ingonyama Trust Board	-1				50		1 528 235	5 285 808	6 814 092
Telkom	582 708								582 708
Foskor	31 371 438	313 570	429 965						32 114 973
SA Post Office	780	4 205	2 899	2 933	2 897	2 860	17 275	48 334	82 184
Richards Bay IDZ	1 455 739			-77					1 455 662
Mhlathuze Water Board	215	215	215	215	215	215	215	51 232 357	51 233 648

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 Official's and Councillor's debt be submitted to Council.

Employee debt amounts to R384 491,20 as per **Annexure AC - DMS 1407094**.

Councillor's debt amounts to R164 645,62 as per **Annexure AD - DMS 1407094**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1407092**) 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 May 2020.

6. CREDITORS ANALYSIS

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

7. INVESTMENT PORTFOLIO ANALYSIS

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

9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 May 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 xxxxx (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.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 May 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 1407092**), be noted.