

14298

## FINANCIAL REPORTING AS AT 31 OCTOBER 2020

*This report served before the Financial Services Portfolio Committee on 24 November 2020. The recommendations were supported.*

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 October 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 October 2020 is included under **Annexures Z and AA (DMS 1433816)**.

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## PART 1 - IN-YEAR REPORTING

### 1. **MAYOR'S REPORT FOR THE MONTH OF OCTOBER 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 October 2020, and the performance of the Municipality against its budget is in line with the special adjusted budget that was approved by Council in September 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 October 2020 (year to date actual) shows a surplus of R236 million. The surplus for the month is mainly as a result under spending with most activities except for the bulk purchase of Water and Electricity which are marginally over budget at this stage. From an overall economic perspective these two commodities are at least a positive indicator under the current very strained economic climate. The performance in this area is **Acceptable**.

## Capital Budget

Council is in the second quarter of the financial year and capital expenditure is very low at R91,4 million (10,02%). This is based on the Adjusted Capital Budget of R911,5 million. Expenditure is expected to rise as the year progresses. The performance in this area although is **Not Acceptable Proportionately**. The CFO has advised the administration to rather look more realistically at this year's adjustments budget in conjunction with the five-year capital budget that they are currently compiling. This do ensure we achieve a good capital spend, but more importantly deliver quality 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 2,52:1 (625 832/247 975). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Good**.

## 2. **RESOLUTIONS**

Refer to the recommendations contained in this report.

## 3. **EXECUTIVE SUMMARY**

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

### 3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 31 October 2020:

DESCRIPTION	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL OCT 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 496 411 600	1 310 432 267	1 276 591 466	97,42%
Expenditure	3 594 077 400	1 091 183 770	1 040 212 369	95,33%
Surplus/(Deficit) (Excluding Capital Grants)	(97 665 800)	219 248 497	236 379 097	

### 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 2,52:1 (625 832/247 975).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	SPECIAL ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 31/10/2020	ACTUAL EXPENDITURE AS AT 31/10/2020	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>					
Equitable Share	462 487 000	178 591 000	154 162 333	39%	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	161 955 200	38 944 000	13 276 208	8%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure,
Financial Management Grant	2 600 000	2 600 000	389 700	15%	FMG aims to strengthen Municipal financial management capacity. Spending is in accordance with the support plan submitted to National Treasury for the grant,
Water services infrastructure grant	25 000 000	15 000 000	9 964 793	40%	To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service,
Extended Public Works Pogramme	4 278 000	1 070 000	1 199 511	28%	The grant is for the operatonal expenditure for EPWP.
Energy Efficiency and Demand Management	4 500 000	1 500 000	-	0%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal.The report is with BAC to award the service provider so work can commence.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>660 820 200</b>	<b>237 705 000</b>	<b>178 992 545</b>	<b>30%</b>	

DESCRIPTION OF GRANT	SPECIAL ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 01/10/2020	ACTUAL EXPENDITURE AS AT 31/10/2020	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>					
Provincialisation of Libraries	8 932 000	-	8 242 850	92%	Expenditure shown is the total operating cost of the Libraries for the period. The 2020/2021 MOA has been signed and payment of subsidy is expected.
Museum Subsidy	214 000	-	964 392	451%	Expenditure shown is the total operating cost of the Museum incurred thus far. The 2020/2021 MOA has been signed and payment of subsidy is expected.
Housing Operating Account	1 206 000	-	5 377 310	446%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Community Library Services Grant (Cyber cadets)	2 445 000	-	568 826	23%	Expenditure shown is the total operating cost of the Cybercadets for the period. The 2020/2021 MOA has been signed and payment of grant is expected.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>12 797 000</b>	<b>-</b>	<b>15 153 377</b>	<b>118%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>673 617 200</b>	<b>237 705 000</b>	<b>194 145 922</b>	<b>32%</b>	

### 3.4 Capital Budget Summary

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

<b>FUNCTION</b>	<b>ADJUSTED BUDGET 2020/2021</b>	<b>ACTUAL OCTOBER 2020 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Finance and Administration	103 533 000	12 666 001	12,23%
Community and Social Services	49 084 600	1 792 904	3,65%
Energy Sources	96 644 900	10 686 734	11,06%
Executive and Council	51 000	-	0,00%
Environmental Protection	2 834 900	-	0,00%
Housing	6 339 900	-	0,00%
Planning and Development	10 852 800	-	0,00%
Public Safety	1 301 100	-	0,00%
Road Transport	213 504 800	3 103 767	1,45%
Sport and Recreation	49 987 900	1 868 158	3,74%
Waste Management	5 382 500	2 482 800	46,13%
Waste Water Management	54 246 300	8 623 244	15,90%
Water	317 748 400	50 154 141	15,78%
	<b>911 512 100</b>	<b>91 377 749</b>	<b>10,02%</b>

The total adopted Capital Budget funding structure is as follows:

<b>SOURCE OF FUNDING</b>	<b>ADJUSTED BUDGET 2020/2021</b>	<b>ACTUAL OCTOBER 2020 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	174 011 300	6 583 934	3,78%
Capital Replacement Reserve	554 143 600	65 130 902	11,75%
Integrated Urban Development Grant	153 857 200	9 698 121	6,30%
Government Grants - National	29 500 000	9 964 792	33,78%
<b>TOTAL</b>	<b>911 512 100</b>	<b>91 377 749</b>	<b>10,02%</b>

### 3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL OCT 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	987 684 300	304 493 195	294 044 130	96,57%
Remuneration of Councillors	34 025 600	10 989 818	10 614 292	96,58%
Debt Impairment	90 060 600	27 731 537	19 474 272	70,22%
Depreciation and asset impairment	480 252 300	138 111 372	120 960 244	87,58%
Finance Charges	79 943 200	13 324 200	13 323 874	100,00%
Bulk Purchases - Electricity	1 027 696 400	388 350 696	396 556 913	102,11%
Bulk Purchases - Water	110 419 500	38 408 311	39 481 566	102,79%
Other Materials	144 085 500	28 116 437	26 333 077	93,66%
Contracted Services	327 958 900	70 126 803	51 865 580	73,96%
Transfers and grants	14 378 000	7 000 177	6 786 286	96,94%
Other Expenditure	297 573 100	64 531 224	60 772 134	94,17%
<b>TOTAL</b>	<b>3 594 077 400</b>	<b>1 091 183 770</b>	<b>1 040 212 369</b>	<b>95,33%</b>

The above table represents operating expenditure per category as at 30 September 2020.

**Debt Impairment:** An additional amount of R55 million was provided on the 2020/21 Special Adjusted Budget to increase the Debt impairment provision. Council's ability to collect debt has been significantly impacted as consumers are not settling their accounts timeously and in some cases not at all. A monthly pro-rata journal is raised to increase the Debt Impairment provision account. This journal was amended from October 2020 to provide for the revised budgeted figure.



### 3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL OCT 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	540 840 000	214 358 916	218 029 747	101,71%
Service Charges – Electricity revenue	1 666 176 600	633 645 702	590 163 142	93,14%
Service Charges – Water revenue	411 574 300	153 946 439	191 837 645	124,61%
Service Charges – Refuse revenue	117 414 400	37 935 499	34 085 604	89,85%
Service Charges – Sanitation revenue	111 886 000	35 286 965	35 067 592	99,38%
Rental of facilities and equipment	11 163 700	2 752 444	2 329 340	84,63%
Interest earned – external investments	63 000 000	15 153 020	9 842 906	64,96%
Interest earned – outstanding debtors	114 000	40 348	51 727	128,20%
Fines	10 596 900	1 667 878	2 327 501	139,55%
Licences and permits	3 406 700	1 128 344	1 158 364	0,00%
Agency services	5 970 400	2 182 624	2 105 322	96,46%
Operating Grants and Subsidies	490 259 800	199 290 300	178 591 057	89,61%
Other Revenue	64 008 800	13 043 789	11 001 519	84,34%
<b>TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)</b>	<b>3 496 411 600</b>	<b>1 310 432 267</b>	<b>1 276 591 466</b>	<b>97,42%</b>

The above table represents operating revenue per category as at 31 October 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	10 808 788	4 529 529	12 331 581	8 867 472	36 537 370
Business	280 600 214	26 702 292	23 876 653	159 292 452	490 471 611
Households	70 131 313	9 729 162	9 398 617	177 050 359	266 309 451
Other	6 584 606	799 512	945 074	12 492 624	20 821 816
<b>Total</b>	<b>368 124 921</b>	<b>41 760 495</b>	<b>46 551 925</b>	<b>357 702 907</b>	<b>814 140 248</b>
<b>%</b>	<b>45,22%</b>	<b>5,13%</b>	<b>5,72%</b>	<b>43,94%</b>	

## FINANCIAL REPORTING ON INCOME / DEBT

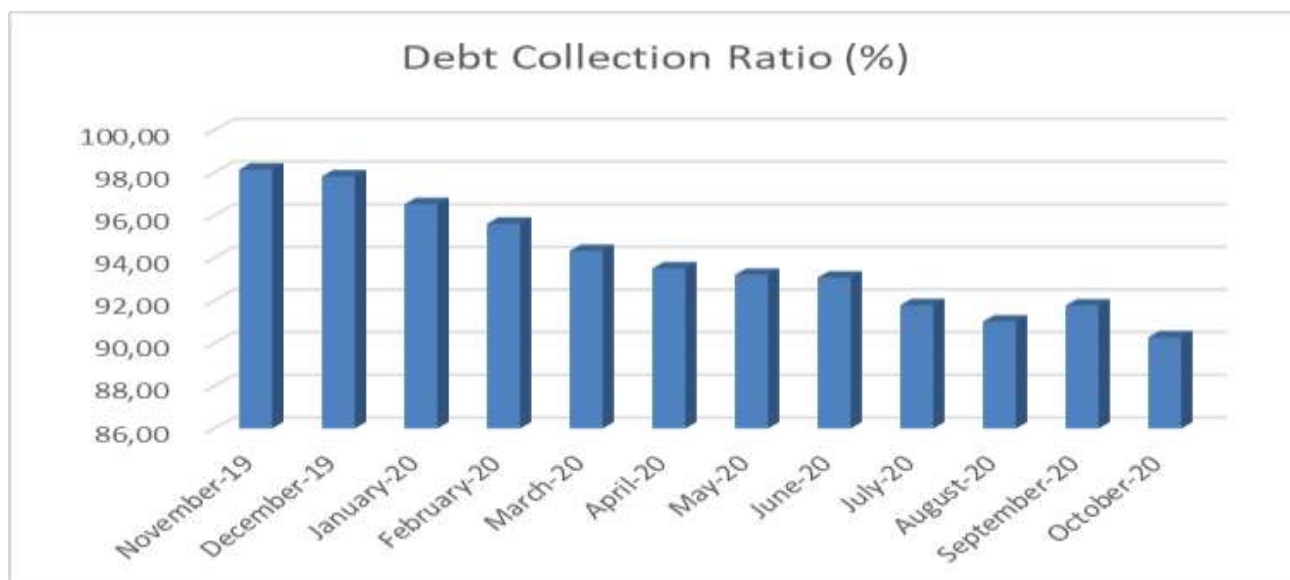
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National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

<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 <b>95%</b>

<b>Month</b>	<b>Debt Collection Ratio (%)</b>
October-20	90,28
September-20	91,77
August-20	91,02
July-20	91,79
June-20	93,08
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



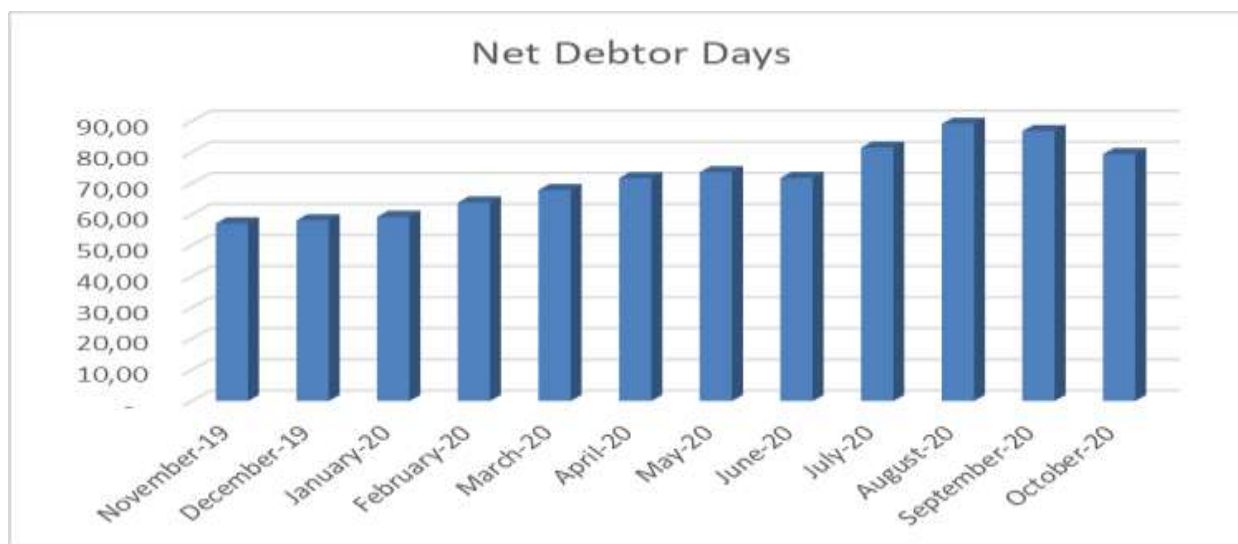
➤ **Net Debtors Days**

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:

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

Month	Net Debtor Days
October-20	79,46
September-20	86,91
August-20	89,18
July-20	81,55
June-20	71,77
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



### **Debtors Turnover Rate**

Month	Debtors Turnover Rate (%)
October-20	25,10
September-20	27,23
August-20	27,75
July-20	25,41
June-20	22,11
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



## **Top Ten (10) Business Debts**

TOP 10 DEBTORS							
Debtor Nr	Debtor Name	Date	0-30 days	31-60 days	61-90 days	Over 90 Days	Grand Total
531788	MHLATUZE WATER BOARD	August 2019				41 234 775	41 234 775
1088329	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	6 630 158	6 857 986	6 915 321	33 703 781	54 107 246
1854904	BASFOUR 3721 (PTY) LTD	December 2011	-			22 377 590	22 377 590
501543	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	7 903 664	6 289 848	5 230 204	22 375 730	41 799 445
1675831	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	498 276	197 314	387 330	11 448 866	12 531 787
551583	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	2 140 667	1 654 079	1 479 058	9 400 914	14 674 717
1610626	TISAND (PTY) LTD	March 2009	-			5 389 604	5 389 604
2289941	PANDA PETROLEUMS	September 2015	784	843	784	5 031 221	5 033 632
1632348	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	504 762	614 474	456 035	4 481 373	6 056 643
416383	RIVER ROCK INVEST (PTY) LTD	June 2009	68 640	68 640	68 640	3 262 753	3 468 673
<b>TOTAL</b>			<b>17 746 949</b>	<b>15 683 184</b>	<b>14 537 372</b>	<b>158 706 606</b>	<b>206 674 111</b>

### **Mhlathuze Water Board**

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

There has been several letters from and to Mhlathuze Water in this regard. They have submitted that they dispute the amount and have now been requested to submit details regarding the amounts they dispute.

### **Update: October 2020**

In the previous Financial Services Portfolio Committee meeting the Mayor was mandated to write to the Chairman of the Board of Mhlathuze Water in respect of the debt. The letter was duly written by the Mayor. The response was received from the water board and in summary, the board is not in dispute of the debt however they requested that Department of Water and Sanitation must also be brought into the picture.

### **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: October 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: October 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 October 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: October 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: October 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 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>
National	6 965 460	2 770 350	9 057 288	174 955	197 666	207 593	1 237 018	1 403 463	22 013 793
Provincial	4 796 368	2 000 460	3 650 419	263 319	219 172	509 805	1 453 005	4 593 738	17 486 286
Government accounts in Dispute			360 160					2 579 546	2 939 706
<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>
National Public Works	6 693 190	2 646 285	8 149 081	26 351	46 218	41 741	81 176	362 051	18 046 093
Rural Development & land Reform			793 260	36 795	36 795	36 795	580 988	1 041 412	2 526 045
Department of Water Affairs and Sanitation	272 270	124 066	114 947	111 810	114 653	129 057	574 853		1 441 655
<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	-381 970	7 200	2 756 831	7 704	7 222	7 235	68 985	1 086 633	3 559 839
Education	1 787 451	1 828 300	540 437	187 147	135 177	452 323	689 902	326 975	5 947 711
Human Settlement	83 925	9 001	196 740	1 736	1 930	1 936	11 538	1 220 033	1 526 839
Department of Transport	504 970	72 241	50 682	13 074	25 322	4 230	23 381	109 762	803 663
Department of Health	2 731 451	95 664	105 729	53 657	49 522	44 080	658 921	1 849 469	5 588 494
Department of Social Welfare	54 160	-20 103							34 057
Department of Agriculture	16 382	8 158					277	865	25 683
<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	7 535 372	169 008	753 392	52 048	31 434	45 534	225 361	866 613	9 678 761
ESKOM	-93 734	-53 133	32 695	36 055	34 620	32 324	115 018	60 736	164 581
Ingonyama Trust Board		123 480	1 412 977	429	429	429	2 625	6 810 505	8 350 874
Telkom	526 487	93	90	90	90	90	538	355	527 832
Foskor	32 893 571	12 940	12 940	12 054	12 054	12 054	680 606		33 636 219
SA Post Office	12 504	2 783	2 783	2 856	2 863	2 889	17 394	62 713	106 784
Richards Bay IDZ	2 217 884						-77		2 217 807
Mhlathuze Water Board	228	228	228	228	215	215	215	41 233 218	41 234 775

## 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 R410 789,35 as per **Annexure AC - DMS 1433816**.

Councillor's debt amounts to R161 501,25 as per **Annexure AD - DMS 1433816**.

## 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1433815**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEXURE
Table C1	Monthly Budget Statement Summary	A
Table C2	Monthly Budget Financial Performance (Standard Classification)	B
Table C2C	Monthly Budget Financial Performance (Detail) (Standard Classification)	C
Table C3	Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table C3C	Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
Table C4	Monthly Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
Table C5C	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	H
Table C6	Monthly Budgeted Financial Position	I
Table C7	Monthly Budgeted Cash Flows	J
Table SC1	Material variance explanations	K
Table SC2	Monthly Performance indicators	L
Table SC3	Aged Debtors	M
Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
Table SC7(1)	Transfers and grant expenditure	Q
Table SC7(2)	Expenditure Against Approved Rollovers	R
Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y
Table SC13e	Monthly capital expenditure on upgrading of existing assets by assets class	Z



## PART 2 - SUPPORTING DOCUMENTATION

### 5. DEBTORS ANALYSIS

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

### 6. CREDITORS ANALYSIS

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

### 7. INVESTMENT PORTFOLIO ANALYSIS

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

### 9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

### 10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 October 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 1434262 (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 24 NOVEMBER 2020**

In response to a question raised regarding the issue of overspending under Housing Operating Account, the Chief Financial Officer clarified that the grant which the Provincial Department of Human Settlements allocates for housing purposes has always been insufficient to cover costs incurred. Furthermore, it was confirmed that no funding has been received to date by the municipality for the expense in question. With regard to the issue of Mhlathuze Water debt, the Committee was advised that from the meeting the Chief Financial Officer held with the Municipal Manager, the latter would liaise with the Chief Executive Officer from Mhlathuze Water on a way forward. On the issue of the King Cetshwayo District Municipality debt, it was reported that the Municipal Managers from both municipalities have had some engagements to find amicable solutions and progress thereof will be communicated to the Committee. With regard to the status of debt collection, while the deteriorating state of debt collection was acknowledged, Councillors were urged to assist Administration by means of encouraging communities to pay for services. With regard to the Government debt, the Committee was informed that the Municipal Public Accounts Committee (MPAC) has directed Administration to commence with the switch-offs of all those that are not paying and the execution plan was under compilation. The procedure regarding the handling of Councillors debts have always been through the Offices of the Speaker and Chief Whip, which thusfar has proved to be working fine.

The Chairperson expressed that while the low capital expenditure is not condoned, the situation Council has been faced with, wherein a couple of months ago, Consultants that stopped the execution of projects due to disagreements with Administration, has had an impact on the spending. However, he alluded to the fact that the predicament has since been corrected and the contractors have been ordered to resume their duties. Taking the above discussion into account, the Committee felt it prudent to add Recommendation 2 which reads *"In light of the low expenditure on capital as a result of historical appointments of consultants, administration be allowed to make necessary payments only where there are active contracts or unfinished projects."*

## RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 31 October 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 1433815)** be noted; and
2. in light of the low expenditure on capital as a result of historical appointments of Consultants, Administration be allowed to make necessary payments only where there are active contracts or unfinished projects.