

## ITEM 300

### FINANCIAL REPORTING AS AT 30 NOVEMBER 2020

*This report served before the Special Financial Services Portfolio Committee, Special Executive Committee and Special Council on 22 January 2021.*

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 November 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 November 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 November 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 November 2020 is included under **Annexures Z and AA (DMS 1438677)**.

## TABLE OF CONTENTS

<b>PART 1 - IN-YEAR REPORT</b>	
1.	Mayor's report for the month of November 2020
2.	Resolutions
3.	Executive Summary
3.1	Executive Summary - Operating Budget
3.2	Executive Summary - Cash Flow Situation
3.3	Executive Summary - Grants Balances
3.4	Executive Summary - Capital Budget Summary
3.5	Executive Summary - Expenditure per Category
3.6	Executive Summary - Revenue per Category
3.7	Executive Summary - Debtors Age Analysis
3.8	Executive Summary - Employee Debt and Councillor Debt
4.	In-year budget statement tables
<b>PART 2 - SUPPORTING DOCUMENTATION</b>	
5.	Debtors' Analysis
6.	Creditors' Analysis
7.	Investment portfolio analysis
8.	Allocation and grant receipts and expenditure
9.	Councillor allowances and employee benefits
10.	Capital programme performance
11.	Municipal Manager's quality certification

## PART 1 - IN-YEAR REPORTING

### 1. MAYOR'S REPORT FOR THE MONTH OF NOVEMBER 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 November 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 November 2020 (year to date actual) shows a surplus of R186,8 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 R112 million (12,29%). 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 2,42:1 (600 945/247 975). 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 30 November 2020:

DESCRIPTION	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL NOV 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 496 411 600	1 556 292 467	1 493 839 822	95,99%
Expenditure	3 594 077 400	1 360 050 270	1 307 001 199	96,10%
Surplus/(Deficit) (Excluding Capital Grants)	(97 665 800)	196 242 197	186 838 623	

#### 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 2,42:1 (600 945/247 975).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	SPECIAL ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 30/11/2020	ACTUAL EXPENDITURE AS AT 30/11/2020	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>					
Equitable Share	462 487 000	178 591 000	192 702 917	49%	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	533 628	21%	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	14 508 945	58%	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	2 995 000	1 471 221	34%	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>239 630 000</b>	<b>222 492 918</b>	<b>37%</b>	

DESCRIPTION OF GRANT	SPECIAL ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 30/11/2020	ACTUAL EXPENDITURE AS AT 30/11/2020	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>					
Provincialisation of Libraries	8 932 000	8 932 000	10 106 012	113%	Expenditure shown is the total operating cost of the Libraries for the period.
Museum Subsidy	214 000	-	1 199 733	561%	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	-	6 770 886	561%	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	1 808 000	709 957	29%	Expenditure shown is the total operating cost of the Cybercadets for the period.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>12 797 000</b>	<b>10 740 000</b>	<b>18 786 587</b>	<b>147%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>673 617 200</b>	<b>250 370 000</b>	<b>241 279 505</b>	<b>40%</b>	

### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 November 2020:

<b>FUNCTION</b>	<b>ADJUSTED BUDGET 2020/2021</b>	<b>ACTUAL NOVEMBER 2020 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Finance and Administration	103 533 000	12 868 730	12,43%
Community and Social Services	49 084 600	1 834 154	3,74%
Energy Sources	96 644 900	13 213 316	13,67%
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	7 385 626	3,46%
Sport and Recreation	49 987 900	3 200 376	6,40%
Waste Management	5 382 500	2 620 000	48,68%
Waste Water Management	54 246 300	8 039 171	14,82%
Water	317 748 400	62 833 397	19,77%
	<b>911 512 100</b>	<b>111 994 771</b>	<b>12,29%</b>

The total adopted Capital Budget funding structure is as follows:

<b>SOURCE OF FUNDING</b>	<b>ADJUSTED BUDGET 2020/2021</b>	<b>ACTUAL NOVEMBER 2020 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	174 011 300	13 733 384	7,89%
Capital Replacement Reserve	554 143 600	73 088 150	13,19%
Integrated Urban Development Grant	153 857 200	13 276 208	8,63%
Government Grants - National	29 500 000	11 897 029	40,33%
<b>TOTAL</b>	<b>911 512 100</b>	<b>111 994 771</b>	<b>12,29%</b>



### 3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 November 2020:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL NOV 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	987 684 300	383 627 295	367 773 261	95,87%
Remuneration of Councillors	34 025 600	13 825 518	13 252 314	95,85%
Debt Impairment	90 060 600	35 532 437	37 211 255	104,72%
Depreciation and asset impairment	480 252 300	177 657 872	150 190 624	84,54%
Finance Charges	79 943 200	19 986 300	19 985 811	100,00%
Bulk Purchases - Electricity	1 027 696 400	464 117 842	473 819 996	102,09%
Bulk Purchases - Water	110 419 500	45 901 765	50 104 955	109,16%
Other Materials	144 085 500	39 653 337	38 249 152	96,46%
Contracted Services	327 958 900	93 516 103	61 373 883	65,63%
Transfers and grants	14 378 000	7 809 077	7 135 885	91,38%
Other Expenditure	297 573 100	78 422 724	87 904 061	112,09%
<b>TOTAL</b>	<b>3 594 077 400</b>	<b>1 360 050 270</b>	<b>1 307 001 199</b>	<b>96,10%</b>

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

### 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 NOV 2020 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	540 840 000	255 708 616	259 934 235	101,65%
Service Charges – Electricity revenue	1 666 176 600	770 350 002	715 384 185	92,86%
Service Charges – Water revenue	411 574 300	193 769 739	219 587 200	113,32%
Service Charges – Refuse revenue	117 414 400	43 071 199	42 612 730	98,94%
Service Charges – Sanitation revenue	111 886 000	43 961 265	44 085 542	100,28%
Rental of facilities and equipment	11 163 700	4 043 544	2 739 834	67,76%
Interest earned – external investments	63 000 000	20 403 020	9 889 726	48,47%
Interest earned – outstanding debtors	114 000	47 748	66 746	139,79%
Fines	10 596 900	3 582 778	4 253 588	118,72%
Licences and permits	3 406 700	1 355 844	1 331 840	98,23%
Agency services	5 970 400	2 642 624	2 105 207	79,66%
Operating Grants and Subsidies	490 259 800	201 215 400	178 591 057	88,76%
Other Revenue	64 008 800	16 140 689	13 257 930	82,14%
<b>TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)</b>	<b>3 496 411 600</b>	<b>1 556 292 467</b>	<b>1 493 839 822</b>	<b>95,99%</b>

The above table represents operating revenue per category as at 30 November 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	9 614 367	2 681 268	3 713 151	17 264 831	33 273 617
Business	282 074 587	26 488 394	25 528 475	179 855 363	513 946 819
Households	67 163 504	10 064 433	8 255 351	182 646 748	268 130 036
Other	6 080 482	425 669	787 959	13 310 893	20 605 003
<b>Total</b>	<b>364 932 940</b>	<b>39 659 764</b>	<b>38 284 936</b>	<b>393 077 835</b>	<b>835 955 475</b>
<b>%</b>	<b>43,65%</b>	<b>4,74%</b>	<b>4,58%</b>	<b>47,02%</b>	

### FINANCIAL REPORTING ON INCOME / DEBT

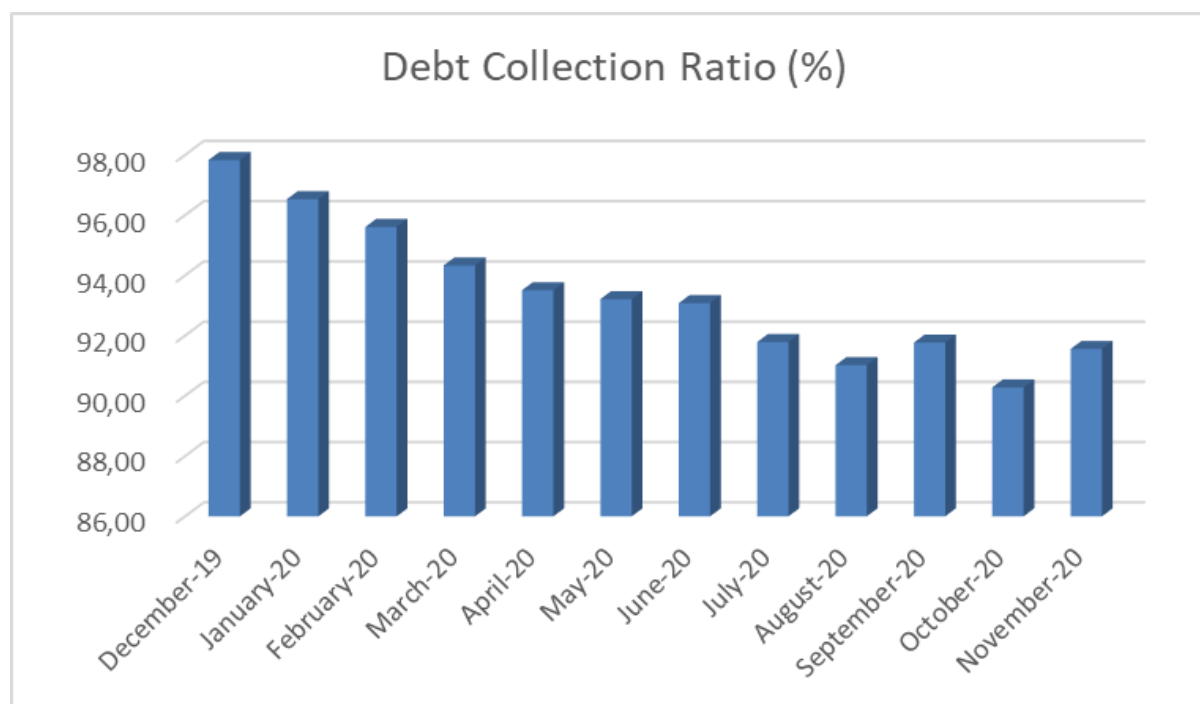
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National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

Month	Debt Collection Ratio (%)
November-20	91,56
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



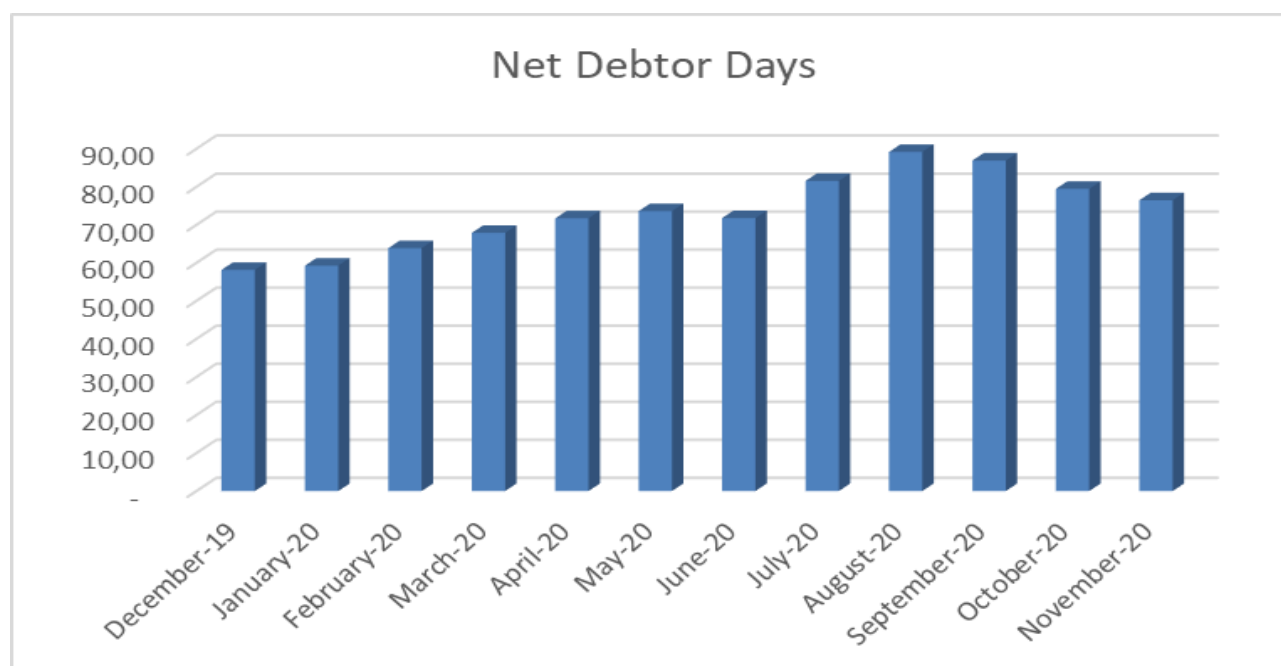
➤ **Net Debtors Days**

This ratio reflects the collection period. The Net Debtor Days refer to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.

The Ratio excludes balances for Debtors which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of Credit Control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful debts:

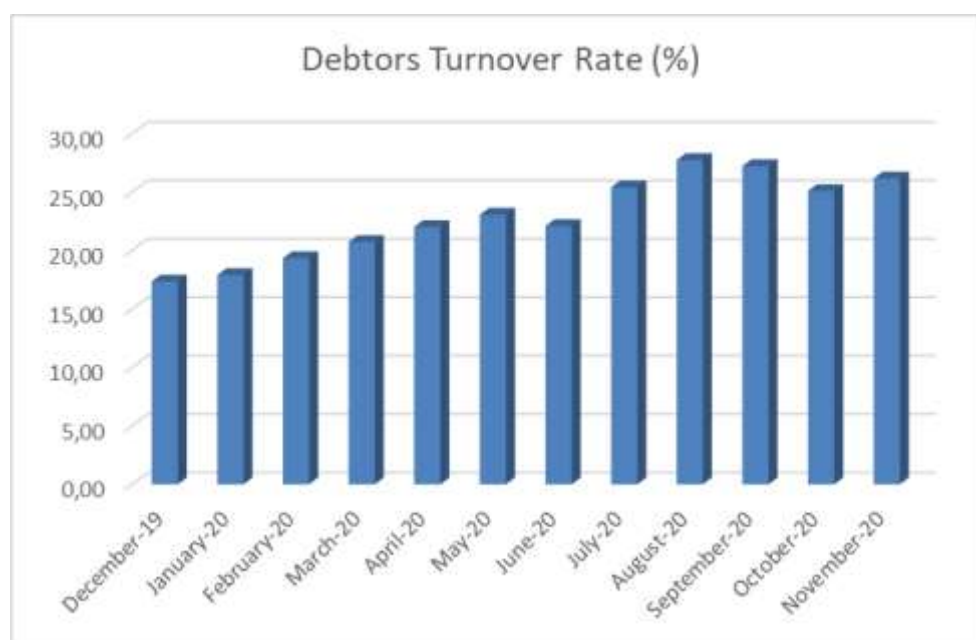
<b>Formula (As per circular 71)</b>	<b>Norm</b>
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is <b>30 Days</b>

<b>Month</b>	<b>Net Debtor Days</b>
November-20	76,48
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



## **Debtors Turnover Rate**

<b>Month</b>	<b>Debtors Turnover Rate (%)</b>
November-20	26,18
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



## **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	-	-	-	41 235 057	41 235 057
1088329	KING CETSWAYO DM	March 2018	6 185 439	6 630 158	6 857 986	35 346 531	55 020 114
501543	KING CETSWAYO DM	March 2018	7 191 596	7 903 664	6 289 848	27 605 934	48 991 041
1854904	BASFOUR 3721 (PTY) LTD	December 2011	-	-	-	22 377 590	22 377 590
1675831	KING CETSWAYO DM	March 2018	284 889	498 276	197 314	10 102 841	11 083 321
551583	KING CETSWAYO DM	March 2018	1 814 011	2 140 667	1 654 079	8 734 764	14 343 520
1610626	TISAND (PTY) LTD	March 2009	-	-	-	5 389 604	5 389 604
2289941	PANDA PETROLEUMS	September 2015	784	784	843	5 032 005	5 034 416
1632348	KING CETSWAYO DM	March 2018	422 811	504 762	614 474	3 523 140	5 065 187
416383	RIVER ROCK INVEST (PTY) LTD	June 2009	68 640	68 640	68 640	3 299 393	3 505 313
<b>TOTAL</b>			<b>15 968 170</b>	<b>17 746 949</b>	<b>15 683 184</b>	<b>162 646 860</b>	<b>212 045 162</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: November 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: November 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 November 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: November 2020**

There are no further progress to report on this account.

## **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 30 November 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: November 2020**

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

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

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

### **Update: November 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	6 255 745	2 508 001	2 100 832	5 689 425	147 629	192 073	1 366 277	1 443 478	19 703 460
Provincial	4 433 529	538 142	1 872 080	3 131 632	259 711	217 979	1 591 754	4 898 862	16 943 688
Government accounts in Dispute	-	-	-	360 160	-	-	-	2 579 546	2 939 706
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
National Public Works	5 977 909	2 375 046	1 976 767	4 781 218	-976	40 625	81 378	365 272	15 597 238
Rural Development & land Reform	-	-	-	793 260	36 795	36 795	580 988	1 078 206	2 526 045
Department of Water Affairs and Sanitation	277 836	132 955	124 066	114 947	111 810	114 653	703 910	-	1 580 177
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	-3 030	20 925	7 200	2 385 795	7 704	7 222	32 764	1 130 089	3 588 668
Education	2 282 559	353 653	1 832 024	536 358	184 321	134 384	1 077 706	354 449	6 755 455
Human Settlement	64 103	14 609	6 768	184 572	1 736	1 930	11 387	1 213 404	1 498 508
Department of Transport	228 338	12 116	6 081	6 224	12 293	24 921	24 258	113 066	427 296
Department of Health	1 796 331	136 839	20 008	18 683	53 657	49 522	445 455	2 086 896	4 607 391
Department of Social Welfare	58 293	-	-	-	-	-	-	-	58 293
Department of Agriculture	6 935	-	-	-	-	-	184	959	8 078
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	16 812 132	116 005	19 291	705 359	13 424	-1 850	63 410	867 174	18 594 946
ESKOM	213 408	-186 961	-35 769	32 695	36 055	34 620	144 826	63 251	302 125
Ingonyama Trust Board	-	-	123 480	1 412 977	429	429	2 625	6 810 934	8 350 874
Telkom	596 666	29	93	90	90	90	538	444	598 040
Foskor	33 854 505	12 940	12 940	12 940	12 054	12 054	679 720	-	34 597 154
SA Post Office	17 913	2 792	2 783	2 783	2 856	2 863	17 386	65 610	114 986
Richards Bay IDZ	2 176 628	-	-	-	-	-	-77	-	2 176 551
Mhlathuze Water Board	511	228	228	228	215	215	1 290	41 232 142	41 235 057

## 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 Government debt for this time of year will also appear to be higher due to the annual rates that are levied in July of each year.

A separate report detailing all government debt will also be submitted.

### 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 R421 208,60 as per **Annexure AC - DMS 1438677**.

Councillor's debt amounts to R149 312,51 as per **Annexure AD - DMS 1438677**.

## 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1438675**) 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 30 November 2020.

### 6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 November 2020.

### 7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 30 November 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 30 November 2020.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 November 2020.

### 10. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 30 November 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 1439246** (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 30 November 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 1438675**), be noted.