

14526

FINANCIAL REPORT AS AT 28 FEBRUARY 2021

This report served simultaneously before the Financial Services Portfolio Committee, Executive Committee and Council on 30 March 2021. The recommendation was noted.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 28 February 2021 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 February 2021 is included under **Annexures Z and AA (DMS 1452170)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF FEBRUARY 2021**

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 February 2021, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in February 2021. 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 February 2021 (year to date actual) shows a surplus of R328,8 million. The surplus for the month is mainly as a result of 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.

Council has also received the second trench of Equitable share amount of R184,6 million which contributed to the surplus. The performance in this area is **Acceptable**.

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is very low at R209 million (27,43%). This is based on the Adjusted Capital Budget of R762,7 million. Expenditure is expected to rise as the year progresses. The performance in this area although is **Not Acceptable Proportionately**.

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 2,73:1 (677 255/247 975). 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 28 February 2021:

DESCRIPTION	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL FEB 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 454 294 700	2 423 410 590	2 427 463 973	100,17%
Expenditure	3 603 742 200	2 216 245 585	2 098 745 582	94,70%
Surplus/(Deficit)	(149 447 500)	207 165 004	328 718 391	

Council budgeted for a deficit of R149,4 million on the adjusted budget approved in February 2021. However, the pro-rata adjusted budget shows a surplus of R207 million as at the end of February 2021. This is as a result of actual results from July 2020 to February 2021 where there has been challenges in spending due to lockdown in most part of the period.

The expenditure is expected to increase in the last quarter of the year where most backlogs in service delivery are expected to be address. This will eventually reduce the surplus, details are addressed under 3.5.

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 2,73:1 (677 255/247 975). Although this cash coverage is also an indication of underspending on both Capital and Operating Budgets.

3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 28/02/2021	ACTUAL EXPENDITURE AS AT 28/02/2021	% SPENT	COMMENTS
NATIONAL TREASURY					
Equitable Share	462 487 000	363 269 000	308 324 667	78%	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	97 946 000	37 998 977	23%	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	906 517	35%	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	24 093 454	96%	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	2 354 348	55%	The grant is for the operatonal expenditure for EPWP.
Energy Efficiency and Demand Management	4 500 000	3 500 000	-	0%	Appointment of service provider was adjudicated and appointed during the month of December 2020. The service provider is waiting for material which will be delivered during March 2021 and work can commence.
TOTAL NATIONAL TREASURY GRANTS	660 820 200	485 310 000	373 677 962	63%	

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 28/02/2021	ACTUAL EXPENDITURE AS AT 28/02/2021	% SPENT	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	8 932 000	8 932 000	16 924 274	189%	The KZN Department of Arts and Culture entered into an unfunded mandate agreement with the muinicipality of provision of library services. Expenditure shown is total operating cost of libraries,
Museum Subsidy	214 000	-	2 002 162	936%	Expenditure shown is the total operating cost of the Museum.The municipality only receive a subsidy from KZN Arts & Culture the rest of the expenditure is funded by the municipality.
Housing Operating Account	1 206 000	963 914	12 683 950	1052%	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	1 273 192	52%	Expenditure shown is the total operating cost of the Cybercadets,
TOTAL PROVINCIAL TREASURY GRANTS	12 797 000	11 703 914	32 883 578	257%	
TOTAL GRANTS AND SUBSIDIES	673 617 200	497 013 914	406 561 540	67%	

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 28 February 2021:

FUNCTION	ADJUSTED BUDGET 2020/2021	ACTUAL FEBRUARY 2021 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	104 934 500	26 698 495	25,44%
Community and Social Services	33 708 100	4 572 642	13,57%
Energy Sources	91 685 000	25 649 663	27,98%
Executive and Council	51 000	-	0,00%
Environmental Protection	434 200	88 370	20,35%
Housing	6 265 400	1 446 452	23,09%
Planning and Development	6 300 300	238 095	3,78%
Public Safety	1 245 000	180 595	14,51%
Road Transport	149 854 800	17 027 296	11,36%
Sport and Recreation	36 090 900	6 826 142	18,91%
Waste Management	5 381 800	2 946 000	54,74%
Waste Water Management	105 919 300	9 891 020	9,34%
Water	220 838 200	113 666 725	51,47%
	762 708 500	209 231 492	27,43%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2020/2021	ACTUAL FEBRUARY 2021 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	89 995 900	44 929 443	49,92%
Capital Replacement Reserve	485 205 400	124 067 843	25,57%
Integrated Urban Development Grant	153 857 200	15 974 792	10,38%
Government Grants - National	29 500 000	24 259 415	82,24%
Government Grants - Provincial	4 150 000	-	0,00%
TOTAL	762 708 500	209 231 492	27,43%

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 28 February 2021:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2020/2021	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL FEB 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	981 780 700	610 520 467	601 922 453	98,59%
Remuneration of Councillors	34 316 700	22 877 800	20 967 008	91,65%
Debt Impairment	90 060 600	60 040 400	60 040 400	100,00%
Depreciation and asset impairment	418 999 300	256 745 985	237 336 132	92,44%
Finance Charges	79 943 200	53 295 467	40 011 492	75,07%
Bulk Purchases - Electricity	1 027 696 400	705 974 490	714 939 828	101,27%
Bulk Purchases - Water	120 664 200	79 945 420	81 852 457	102,39%
Other Materials	151 203 200	66 232 355	55 902 628	84,40%
Contracted Services	345 933 200	151 525 035	117 341 353	77,44%
Transfers and grants	14 378 000	10 243 700	8 505 937	83,04%
Other Expenditure	338 766 700	198 844 467	159 925 894	80,43%
TOTAL	3 603 742 200	2 216 245 585	2 098 745 582	94,70%

The above table represents operating expenditure per category as at 28 February 2021.

Employee Related Costs and Remuneration of Councillors - The councillors nor the Section 56 employees have received salary increases for the 2020/21 financial year. Their increases are governed in terms of a Government Gazette, it is uncertain when the increase will be gazetted. Furthermore, a large number of vacant posts were advertised in January/February 2021 which will result in posts being filled. Due to the lockdown certain recruitment processes were delayed but these processes are being expedited and it is anticipated that a large number of vacant posts will be filled before the end of the financial year.

Finance Charges – interest on the loan that will be received this financial year will start to be charged in 2021/22 financial year. Therefore, resulting in a savings on Finance Charges in the 2020/21 financial year.

Other Materials – there is a demand for materials to address backlogs in service delivery created by lockdown which will increase expenditure on other materials. An amount of R21,3 million has been committed as user departments have placed orders with respective suppliers. These orders will be finalised in the next few weeks.

Contracted Services – most contractors (including consultants) are back to business which will result in acceleration of spending on contracted services for the remainder of the year. An amount of R49,3 million is committed for the payment of contracted services.

Other expenditure – there are other expenditure items that are hugely affected by the lockdown regulations which resulted in underspending. These items were budgeted for since their needs may arise. See detailed breakdown of other expenditure below.

At the previous Financial Services Portfolio Committee meeting, Councillors requested the breakdown of other expenditure. The table below represents Other Expenditure:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2020/21	PRO-RATA ADJUSTED BUDGET 2020/21	Commitments	ACTUAL AS AT 28 FEBRUARY 2021	(OVER) / UNDER EXPENDITURE
Abstraction Levy	25 899 200	17 266 133	7 976	17 343 839	(77 706)
Achievements and Awards	255 300	170 200	21 775	-	170 200
Advertising & Municipal Activities	6 249 200	4 166 133	567 761	1 551 754	2 614 380
Bank Charges	7 148 600	4 765 733	378 429	1 466 687	3 299 046
Bursaries (Employees)	825 200	550 133	10 000	297 273	252 860
Commission : Prepaid Electricity	7 334 200	4 889 467	1 464 216	3 900 602	988 864
Communication :Licences(Radio&Television)	30 900	20 600	-	-	20 600
Communication:Rent Private Bag & Postal Box	3 900	2 600	535	-	2 600
Communications: SMS Bulk Message Service	3 033 300	2 022 200	-	280 702	1 741 498
Courier and Delivery Services	94 700	63 133	-	1 504	61 629
Drivers Licences and Permits	146 300	97 533	-	15 820	81 713
Dumping Fees (District Council)	9 256 300	6 170 867	787 100	5 698 575	472 292
Entertainment: Chief Whip	24 500	16 333	585	3 329	13 005
Entertainment: Councillors	210 100	140 067	-	-	140 067
Entertainment: Deputy Executive Mayor	24 500	16 333	-	-	16 333
Entertainment: Executive Committee	106 600	71 067	-	-	71 067
Entertainment: Mayor	39 800	26 533	-	-	26 533
Entertainment: Section79 com chairperson	24 500	16 333	-	-	16 333
Entertainment: Senior Management	85 600	57 067	3 949	14 432	42 635
Entertainment: Speaker	24 500	16 333	-	-	16 333
Events	1 992 300	1 328 200	-	55 500	1 272 700
External Audit Fees	5 996 100	3 997 400	-	2 727 714	1 269 686
External Computer Service:Network Extension	103 700	69 133	17 500	-	69 133
External Computer Services:Internet Charge	4 710 800	3 140 533	78 011	734 006	2 406 528
External Computer Services:System Development	815 800	543 867	-	-	543 867
Fines&Penalties:Breach of Contract	63 100	42 067	-	88 740	(46 673)
Fleet and Other Credit/Debit Card	9 248 800	6 165 867	11 133	3 870 939	2 294 928
Freight Services	500	333	-	-	333
Hire Charges: Machinery and Equipment	8 884 000	5 922 667	3 368 825	265 500	5 657 167
Hire Charges: Other Assets	39 000	26 000	22 047	9 728	16 272
Hire Charges: Transport Assets	10 093 800	6 729 200	29 250	8 894 500	(2 165 300)
Indigent Relief	900 000	600 000	-	852 449	(252 449)
Insurance Underwriting: Premiums	18 100 000	12 066 667	-	7 266 667	4 800 000
Insurance: Claims paid to Third Parties	373 000	248 667	-	64 175	184 492

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2020/21	PRO-RATA ADJUSTED BUDGET 2020/21	Commitments	ACTUAL AS AT 28 FEBRUARY 2021	(OVER) / UNDER EXPENDITURE
Insurance: Excess Payments	1 581 100	1 054 067	-	575 405	478 661
Laundry Services	55 000	36 667	-	1 755	34 912
Licences:Performing Arts	135 800	90 533	-	-	90 533
Management Fee	16 700	11 133	-	16 633	(5 500)
Motor Vehicle Licence &Registration	3 738 800	2 492 533	-	3 661 403	(1 168 869)
Municipal Services	116 490 000	77 660 000	1 596	58 151 748	19 508 252
Operating Leases:Computer Equipment	755 500	503 667	-	-	503 667
Operating Leases:Machinery and Equipment	278 100	185 400	-	-	185 400
Operating Leases:Other Assets	5 200	3 467	-	-	3 467
Operating Leases:Transport Assets	49 900	33 267	-	-	33 267
Permits	63 400	42 267	-	59 740	(17 473)
Postage/Stamps/Franking Machines	8 416 900	5 611 267	21 047	1 519 509	4 091 758
Printing, Publications And Books	1 650 500	1 100 333	130 476	105 080	995 253
Professional and Regulatory Bodies	520 100	346 733	28 711	11 015	335 718
Professional Bodies,Membership&Subscription	10 162 200	6 774 800	-	10 035 514	(3 260 714)
Radio and TV Transmissions	1 556 600	1 037 733	-	243 396	794 337
Remuneration to Ward Committees	5 924 500	3 949 667	-	3 480 928	468 739
Resettlement Cost	50 500	33 667	38 870	-	33 667
Seminar,Conference,Workshop&Events: National	815 200	543 467	26 281	57 475	485 991
Servitudes and Land Surveys	300 000	200 000	-	-	200 000
Signage	866 900	577 933	70 080	3 690	574 243
Skills Development Fund Levy	7 705 400	5 136 933	-	3 844 523	1 292 411
Software Licences	17 166 200	11 444 133	7 969 572	5 903 232	5 540 902
Specialised Computer Service	7 984 900	5 323 267	921 837	2 403 509	2 919 758
Storage of Files (Archiving)	294 200	196 133	50 000	126 466	69 668
Subsistence and Travel	6 486 400	4 324 267	350 147	791 868	3 532 398
Telephone, Fax, Telegraph and Telex	3 787 600	2 525 067	20 833	3 058 860	(533 794)
Uniform	11 183 200	7 455 467	3 142 874	3 805 113	3 650 354
Vehicle Tracking	4 238 300	2 825 533	220 896	1 969 769	855 765
Workmen's Compensation Fund	5 339 400	3 559 600	-	3 533 466	26 134

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 FEB 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	559 407 800	386 185 170	386 262 283	100,02%
Service Charges – Electricity revenue	1 664 181 200	1 099 488 971	1 094 913 171	99,58%
Service Charges – Water revenue	409 045 500	361 961 602	380 950 671	105,25%
Service Charges – Refuse revenue	102 477 200	69 890 615	68 146 436	97,50%
Service Charges – Sanitation revenue	108 194 800	71 620 730	69 121 952	96,51%
Rental of facilities and equipment	10 054 900	5 096 040	4 357 137	85,50%
Interest earned – external investments	58 000 000	16 246 626	13 551 851	83,41%
Interest earned – outstanding debtors	114 000	103 978	112 455	108,15%
Fines	7 506 900	5 919 376	5 464 889	92,32%
Licences and permits	3 406 700	1 749 134	1 409 234	80,57%
Agency services	5 970 400	2 776 671	2 295 231	82,66%
Operating Grants and Subsidies	490 759 800	375 579 265	375 579 265	100,00%
Other Revenue	35 175 500	26 792 414	25 299 400	94,43%
TOTAL OPERATING REVENUE	3 454 294 700	2 423 410 590	2 427 463 973	100,17%

The above table represents operating revenue per category as at 28 February 2021.

3.7 Creditors Age Analysis

Creditors age analysis by customer type

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
	R	R	R	R	R
Bulk Electricity	91 053 617	-	-	-	91 053 617
Bulk Water	29 834 759	-	-	-	29 834 759
PAYE deductions	12 467 540	-	-	-	12 467 540
VAT (output less input)	-	-	-	-	-
Pensions / Retirement deductions	11 172 727	-	-	-	11 172 727
Loan repayments	-	-	-	-	-
Trade Creditors	922 440	1 195	59 435	4 746 920	5 729 990
Auditor General	935 719	-	-	-	935 719
Other	2 629	-	-	2 382	5 011
Total By Customer Type	146 389 431	1 195	59 435	4 749 302	151 199 364

The above table represents the ageing of creditors outstanding as at 28 February 2021. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of February 2021 is **27 days**. It must be noted that amounts over 90 days are invoices that were accrued due to year-end cut-off however final sign off and verification still needed to be done by user departments.

3.8 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	3 746 767	2 133 200	1 231 655	12 387 437	19 499 059
Other Organs of State	59 027 511	19 656 854	16 233 216	166 422 022	261 339 602
Business	224 592 974	8 180 367	7 779 284	73 615 508	314 168 133
Households	81 559 364	10 822 417	8 227 345	195 892 080	296 501 206
Other	6 908 251	1 384 531	853 114	15 528 592	24 674 488
Total	375 834 867	42 177 369	34 324 614	463 845 638	916 182 488
%	41,02%	4,60%	3,75%	50,63%	

FINANCIAL REPORTING ON INCOME / DEBT

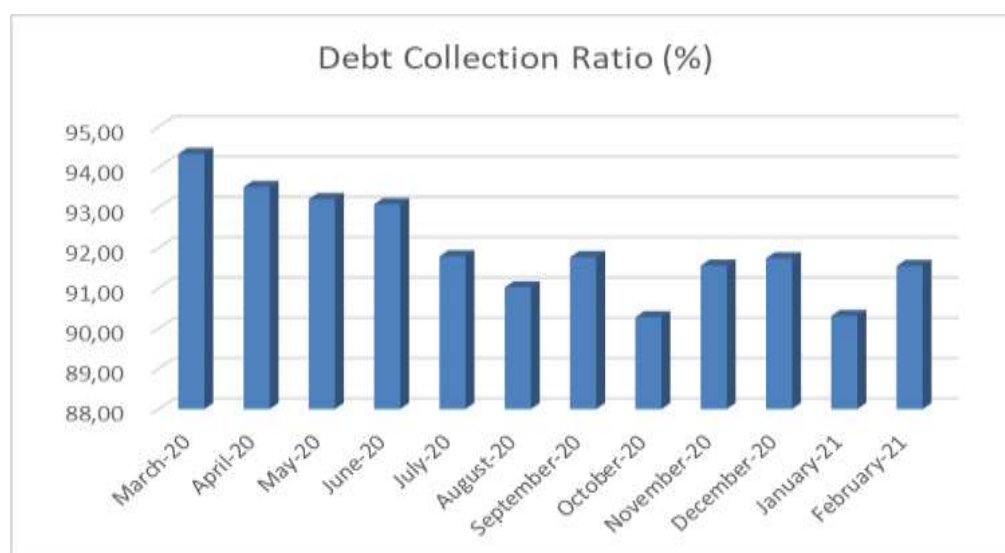
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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 95%

Month	Debt Collection Ratio (%)
February-21	91,55
January-21	90,31
December-20	91,74
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



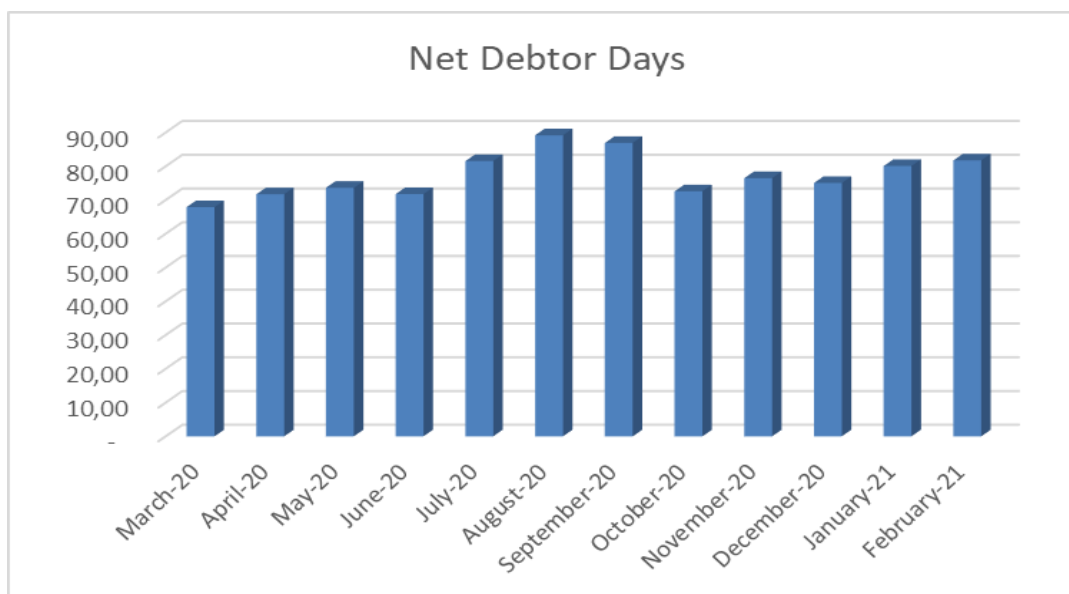
Net Debtors Days

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:

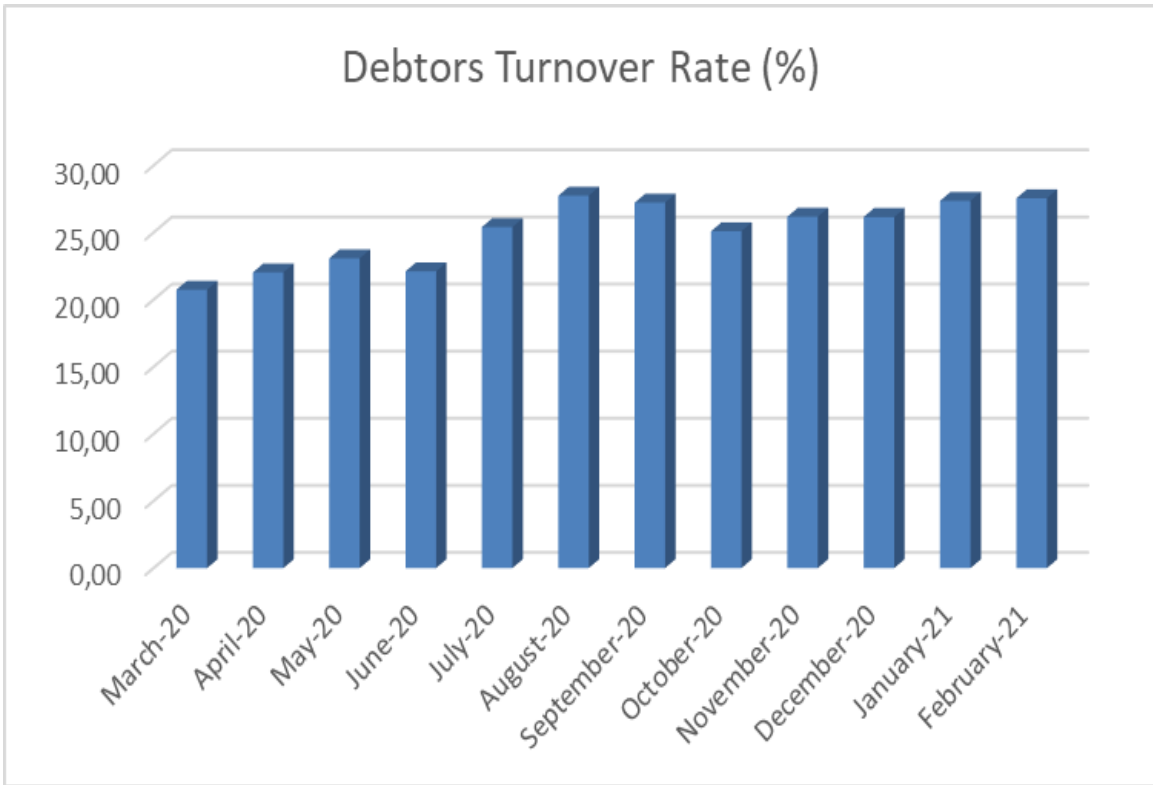
Formula (As per circular 71)	Norm
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is 30 Days

Month	Net Debtor Days
February-21	81,75
January-21	80,08
December-20	75,05
November-20	76,48
October-20	72,59
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



➤ **Debtors Turnover Rate**

Month	Debtors Turnover Rate (%)
February-21	27,56
January-21	27,37
December-20	26,16
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



Government Debt

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

Government Departments	CURRENT	30Days	60Days	90Days Plus	Balance
National Departments	4 932 475	3 213 531	1 844 194	8 406 153	18 138 464
Provincial Departments	5 135 789	2 940 953	982 573	12 976 596	21 548 137
Government accounts in Dispute	-	-	-	1 794 946	1 794 946
National Departments	CURRENT	30Days	60Days	90Days Plus	Balance
National Public Works	4 805 405	3 087 792	1 705 673	5 874 476	15 215 460
Rural Development & land Reform	-	55	-	1 709 069	1 709 121
Department of Water Affairs and Sanitation	127 070	125 684	138 521	822 608	1 213 884
Provincial Departments	CURRENT	30Days	60Days	90Days Plus	Balance
Public Works	23 711	23 615	29 359	3 609 055	3 632 440
Education	1 464 266	1 073 042	754 119	4 526 298	7 542 305
Human Settlement	48 894	49 753	36 788	1 425 528	1 557 109
Department of Transport	166 863	314 330	113 597	243 802	838 591
Department of Health	3 355 554	1 411 916	48 188	3 170 770	7 831 230
COGTA					-
Department of Social Welfare	70 275	58 142	522	-	128 939
Department of Agriculture	6 226	10 155	-	1 143	17 524
SANRAL					
Other Organs of State	CURRENT	30Days	60Days	90Days Plus	Balance
Transnet	6 359 071	461 518	234 368	1 887 633	8 920 046
ESKOM	123 565	80 856	34 632	409 736	390 218
Ingonyama Trust Board	-	-	-	7 309 549	7 309 549
Telkom	545 423	93	93	1 531	546 257
Foskor	33 947 878	2 255 288	12 995	729 708	36 945 814
SA Post Office	10 472	11 951	8 304	105 519	136 246
Richards Bay IDZ	1 965 242	77	-	-	1 965 242
King Cetswayo District Municipality	16 075 632	16 846 843	15 942 540	114 743 571	163 608 586
Mhlathuze Water Board	228	228	283	41 234 775	41 235 513
Total Organs of State	59 027 511	19 656 854	16 233 216	166 422 022	261 057 472
Total Debt	69 095 774	25 811 338	19 059 983	189 599 716	302 539 019

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.

3.9 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 R352 513,68 as per **Annexure AC - DMS 1452170**.

Councillor's debt amounts to R139 086,06 as per **Annexure AD - DMS 1452170**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1452168**) 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 28 February 2021.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 28 February 2021.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 28 February 2021.

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 28 February 2021.

9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 28 February 2021.

10. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 28 February 2021:

- ❑ 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 1452445 (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 28 February 2021, 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 1452168)**, be noted.