

## ITEM 775

### FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2021 (INTERIM)

***This report served before the Financial Services Portfolio Committee on 27 July 2021, the Executive Committee and Council on 28 July 2021. The recommendations were supported.***

### PURPOSE

1. To submit to Council, the financial position of the uMhlathuze Municipality for the quarter ended 30 June 2021 (interim), as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). The monthly and quarterly requirements in terms of Section 71 and Section 52(d) respectively are also included in this report.
2. To disclose to Council, the cost containment savings as required in terms of Regulation 15 of Municipal Cost Containment Regulations (MCCR).

### IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial and Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

### BACKGROUND

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

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

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

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

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

As mentioned above, the MFMA Section 71 (1) refers to a prescribed format according to which the annual budget is required to be prepared. The National Treasury has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out.

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

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

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

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs issued the Municipal Regulations on Standard Chart of Accounts as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 April 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations take effect on 1 July 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the standard chart of accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the standard chart of accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by National Treasury.

- ❖ In terms of Council Resolution 8901 dated 26 November 2013, Council was selected as a Pilot Site for the mSCOA implementation.

**Section 1** of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

*“A detailed plan approved by the mayor of a municipality in terms of section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:*

- (a) *Projections for each month of:*
  - (i) *Revenue to be collected, by source; and*
  - (ii) *Operational and capital expenditure, by vote.*
- (b) *service delivery targets and performance indicators for each quarter.”*

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

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AA - DMS 1460030**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1460030**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AJ - DMS 1460030**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AK and AL - DMS 1460030**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AM - DMS 1460030**).

## DISCUSSION

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

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## **PART 1 - IN-YEAR REPORTING**

### **1. MAYORAL REPORT FOR THE MONTH OF JUNE 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 June 2021, and the performance of the Municipality against its budget is in line with the special adjusted budget that was approved by Council in February 2021. The 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 June 2021 (year to date actual) shows a surplus of R106,7 million. The surplus for the month is mainly as a result of under spending with most activities except for the bulk purchase of Electricity which is marginally over budget at this stage.

It should also be noted that the interim surplus includes surplus on sale of capital asset namely land sold to RBIDZ of an amount of R97 million which was not budgeted for. The actual surplus excluding the sale of land is R9,7 million which is an improvement when compared to adjusted budget deficit of R149 million. The performance in this area although is **Acceptable**.

It is important to note that this an interim report and year-end adjustments are being attend to. The final figures will only be available at the end of August 2021, when the Annual Financial Statements are completed.

#### **Capital Budget**

Council is at the end of the second quarter of the financial year and capital expenditure is very low at R422,4 million (55,39%). 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**.

It is important to note that this an interim report and year-end adjustments are being attend to. The final figures will only be available at the end of August 2021, when the Annual Financial Statements are completed.

#### **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 3,16:1 (815 692/257 890). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Acceptable**.

However, Council must be cautioned that the Municipality although sitting with a positive cash balance, this is largely due to under spending of capex not the underspending in opex.

Although in the operational environment there is underspending, hence the surplus, this is not contributing to the excess cash, because the reality is the bulk of such operating surplus is sitting in debtors i.e. not recovered yet. The extent of non-recovery in debtors is of great concern at this stage.

## 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** The following table represents an executive summary for the financial period ended 30 June 2021:

DESCRIPTION	ADJUSTED BUDGET 2020/2021	ACTUAL JUNE 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Revenue	3 454 294 700	3 427 197 273	110.84%
Expenditure	3 603 742 200	3 417 488 621	107.57%
<b>Operating Surplus/(Deficit)</b>	<b>(149 447 500)</b>	<b>9 708 652</b>	
Gains on Disposal of PPE	-	97 027 933	0.00%
<b>Surplus/(Deficit)</b>	<b>(149 447 500)</b>	<b>106 736 585</b>	

## 3.2 **Cash Flow Situation**

### **Council's Working Capital Policy:**

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 3,16:1 (815 692/257 890).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	SPECIAL ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 30/06/2021	ACTUAL EXPENDITURE AS AT 30/06/2021	% SPENT	COMMENTS
<b>NATIONAL TREASURY</b>					
Equitable Share	462 487 000	462 487 000	462 487 000	100%	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	159 963 000	159 963 000	159 963 000	100%	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	2 600 000	100%	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	25 000 000	25 000 000	100%	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	4 278 000	4 278 000	100%	The grant is for the operational expenditure for EPWP.
Energy Efficiency and Demand Management	4 500 000	4 500 000	4 500 000	100%	The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>658 828 000</b>	<b>658 828 000</b>	<b>658 828 000</b>	<b>100%</b>	

DESCRIPTION OF GRANT	SPECIAL ADJUSTED GRANTS BUDGET 2020/21	AMOUNT RECEIVED AS AT 30/06/2021	ACTUAL EXPENDITURE AS AT 30/06/2021	% SPENT	COMMENTS
<b>PROVINCIAL TREASURY</b>					
Provincialisation of Libraries	8 932 000	8 932 000	24 948 601	279%	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	214 000	3 747 334	1751%	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	1 706 000	963 914	19 034 128	1975%	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	1 918 607	106%	Expenditure shown is the total operating cost of the Cybercadets,
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>13 297 000</b>	<b>11 917 914</b>	<b>49 648 670</b>	<b>417%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>672 125 000</b>	<b>670 745 914</b>	<b>708 476 670</b>	<b>106%</b>	

### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 June 2021:

<b>FUNCTION</b>	<b>ADJUSTED BUDGET 2020/2021</b>	<b>ACTUAL JUNE 2021 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Finance and Administration	104 934 500	50 345 924	47,98%
Community and Social Services	33 708 100	7 935 835	23,54%
Energy Sources	91 685 000	53 545 071	58,40%
Executive and Council	51 000	20 868	40,92%
Environmental Protection	434 200	383 316	88,28%
Housing	6 265 400	4 567 037	72,89%
Planning and Development	6 300 300	1 514 295	24,04%
Public Safety	1 245 000	652 264	52,39%
Road Transport	149 854 800	59 491 582	39,70%
Sport and Recreation	36 090 900	21 714 787	60,17%
Waste Management	5 381 800	2 946 000	54,74%
Waste Water Management	105 919 300	33 578 739	31,70%
Water	220 838 200	185 778 705	84,12%
	<b>762 708 500</b>	<b>422 474 423</b>	<b>55,39%</b>

The total adopted Capital Budget funding structure is as follows:

<b>SOURCE OF FUNDING</b>	<b>ADJUSTED BUDGET 2020/2021</b>	<b>ACTUAL JUNE 2021 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	89 995 900	8 014 810	8,91%
Capital Replacement Reserve	485 205 400	301 299 604	62,10%
Integrated Urban Development Grant	153 857 200	76 999 828	50,05%
Government Grants - National	29 500 000	27 961 502	94,78%
Government Grants - Provincial	4 150 000	8 198 679	197,56%
<b>TOTAL</b>	<b>762 708 500</b>	<b>422 474 423</b>	<b>55,39%</b>



### 3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2020/2021	ACTUAL JUNE 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Employee related costs	981 780 700	912 751 851	92,97%
Remuneration of Councillors	34 316 700	31 203 744	90,93%
Debt Impairment	90 060 600	90 060 600	100,00%
Depreciation and asset impairment	418 999 300	418 999 300	100,00%
Finance Charges	79 943 200	79 943 200	100,00%
Bulk Purchases - Electricity	1 027 696 400	1 066 856 114	103,81%
Bulk Purchases - Water	120 664 200	119 491 005	99,03%
Other Materials	151 203 200	116 111 026	76,79%
Contracted Services	345 933 200	249 591 190	72,15%
Transfers and grants	14 378 000	9 787 224	68,07%
Other Expenditure	338 766 700	322 693 367	95,26%
<b>TOTAL</b>	<b>3 603 742 200</b>	<b>3 417 488 621</b>	<b>94,83%</b>

The above table represents operating expenditure per category as at 30 June 2021.

### 3.6 Revenue by Source

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2020/2021	ACTUAL JUNE 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Rates	559 407 800	551 172 686	107,31%
Service Charges – Electricity revenue	1 664 181 200	1 591 815 450	110,58%
Service Charges – Water revenue	409 045 500	507 784 460	125,61%
Service Charges – Refuse revenue	102 477 200	101 598 921	104,27%
Service Charges – Sanitation revenue	108 194 800	104 010 023	107,83%
Rental of facilities and equipment	10 054 900	6 244 476	88,64%
Interest earned – external investments	58 000 000	31 858 923	84,19%
Interest earned – outstanding debtors	114 000	178 195	170,52%
Fines	7 506 900	11 902 272	172,96%
Licences and permits	3 406 700	3 069 325	121,85%
Agency services	5 970 400	7 840 537	188,10%
Operating Grants and Subsidies	490 759 800	477 981 981	106,25%
Other Revenue	35 175 500	31 740 022	98,44%
<b>TOTAL OPERATING REVENUE</b>	<b>3 454 294 700</b>	<b>3 427 197 273</b>	<b>110,84%</b>
<b>ADD GAINS ON DISPOSAL OF REVENUE</b>			
Gains on Disposal of PPE	-	97 027 933	0,00%
<b>TOTAL REVENUE</b>	<b>3 454 294 700</b>	<b>3 524 225 206</b>	<b>113,98%</b>

The above table represents operating revenue by source as at 30 June 2021.

As previously requested, the following table contains a breakdown of the Revenue Source – Fines.

DETAILS	ADJUSTED BUDGET 2021/22	ACTUALS JUNE 2021 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	
Fines:Illegal Connections	307 400	456 821	149%
Fines:Law Enforcement	2 600	-	0%
Fines:Overdue Books	16 000	3 195	20%
Fines:Pound Fees	100	-	0%
Fines:Traffic:Court Fines	378 300	-	0%
Fines:Traffic:Municipal	2 300 000	2 427 015	106%
Forfeits:Deposits	737 000	4 993 271	678%
Fines:Motor Vehicle Licence	1 100	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	3 764 400	4 021 969	107%
	<b>7 506 900</b>	<b>11 902 272</b>	<b>159%</b>

### 3.7 Creditors Report

#### Creditors Age Analysis by Category

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	Over 90 Days	Total
	R	R	R	R
Bulk Electricity	118 816 213	-	-	118 816 213
Bulk Water	14 975 278	-	-	14 975 278
Trade Creditors	57 235 541	1 029	1 100 287	58 336 858
Other	4 208 694	-	-	4 208 694
<b>Total By Customer Type</b>	<b>195 235 726</b>	<b>1 029</b>	<b>1 100 287</b>	<b>196 337 043</b>

Included in the table above are creditors that are greater than R100 000 and have been outstanding for 90 days and longer. At a previous Financial Services Portfolio Committee meeting, Councillors requested that this information be submitted.

NAME OF CREDITOR	AMOUNT	DETAILS
	R	
King Cetshwayo District Municipality	1 099 362,00	Invoice in dispute as it relates to services for the former Ntambanana Municipality

### 3.8 Debtors Report

#### ➤ Debtors Age Analysis by Category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	33 333 169	178 769	368 024	3 913 131	37 793 093
Business	124 294 927	1 785 096	1 507 815	22 489 881	150 077 719
Households	151 661 352	32 754 468	21 099 089	300 133 923	505 648 832
Other	121 053	33 426	447 928	8 487 980	9 090 387
<b>Total</b>	<b>309 410 501</b>	<b>34 751 759</b>	<b>23 422 856</b>	<b>335 024 915</b>	<b>702 610 031</b>
<b>%</b>	<b>44,04%</b>	<b>4,95%</b>	<b>3,33%</b>	<b>47,68%</b>	

### FINANCIAL REPORTING ON INCOME / DEBT

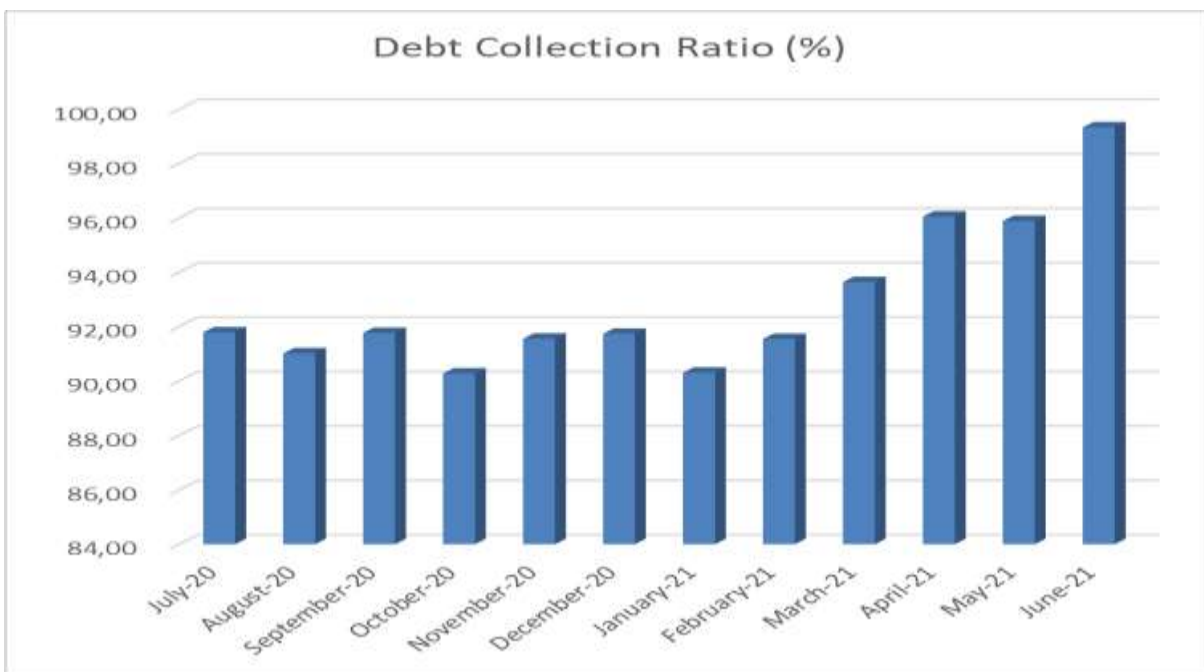
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National Treasury determined the formulas for every financial ratio in terms of Circular 71. These formulas will therefore be used in the reporting.

#### Debt Collection Rate

The Ratio indicates the collection rate; *i.e.* level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. The following formula and norm is included in the circular:

<i>Formula (As per circular 71)</i>	<i>Norm</i>
Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	The norm is <b>95%</b>

Month	Debt Collection Ratio (%)
June-21	99,33
May-21	95,89
April-21	96,05
March-21	93,64
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



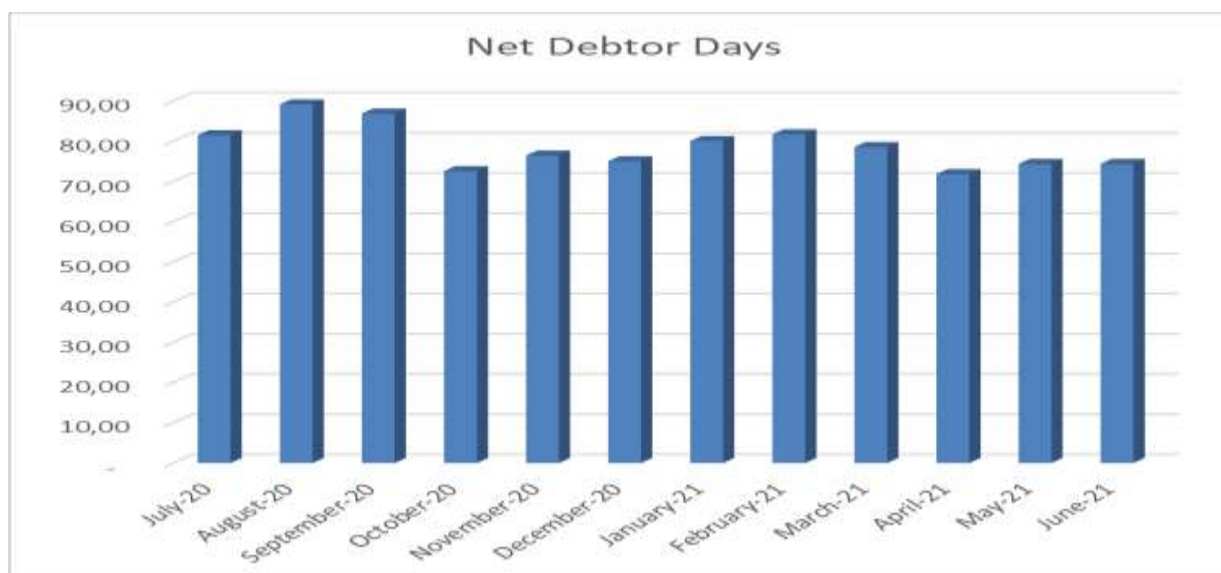
➤ **Net Debtors Days**

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

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

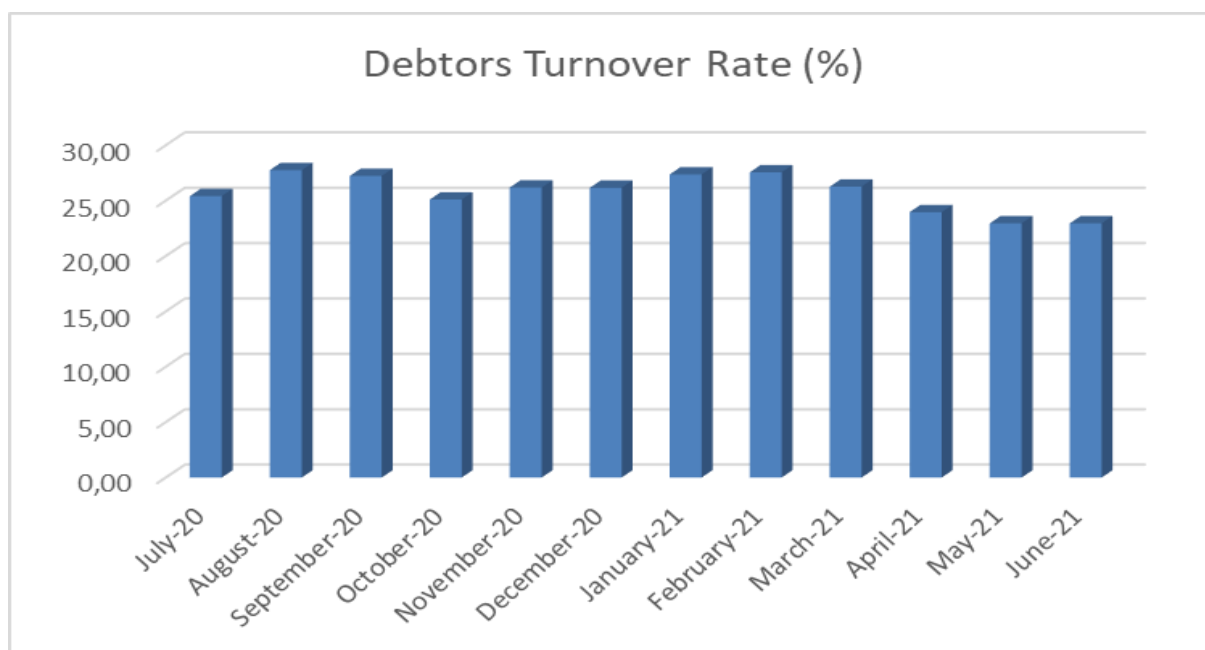
<b>Formula (As per circular 71)</b>	<b>Norm</b>
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is <b>30 Days</b>

<b>Month</b>	<b>Net Debtor Days</b>
June-21	74,40
May-21	74,40
April-21	71,86
March-21	78,58
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



➤ **Debtors Turnover Rate**

Month	Debtors Turnover Rate (%)
June-21	22,95
May-21	22,95
April-21	23,96
March-21	26,27
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



➤ **Top Ten Business Debts**

<b>TOP 10 DEBTORS</b>					
<b>Debtor No</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>Over 90 days</b>	<b>Grand Total</b>
531788	566	10 000 228	228	41 235 741	51 236 763
1088329	11 038 093	5 945 540	4 658 156	29 550 260	51 192 049
501543	14 637 407	6 725 689	5 854 832	23 026 569	50 244 497
1854904	-	-	-	22 377 590	22 377 590
1610626	55	-	-	5 828 543	5 828 598
2289941	1 820	784	784	5 036 767	5 040 155
416383	140 355	68 640	68 640	3 647 233	3 924 868
2328365	55	-	-	2 999 231	2 999 286
2273109	159 406	243 843	17 013	2 995 964	3 416 226
392020	445 598	256 175	256 281	1 966 974	2 925 028
	<b>26 423 354</b>	<b>23 240 898</b>	<b>10 855 934</b>	<b>138 664 873</b>	<b>199 185 059</b>

Given the complexity of issues at hand, the Chief Financial Officer will submit a separate report detailing the situation for each of the above and residential debt that needs attention at the next Portfolio meeting.



## 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	4 202 412	-534 975	-179 053	-7 579 738	44 608	26 934	76 167	399 439	-3 544 205
Provincial	7 024 339	1 049 981	556 410	364 083	615 733	531 343	1 798 961	4 372 650	16 313 500
Government accounts in Dispute							290 791	1 300 657	1 591 448
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	3 959 581	-604 782	-179 053	-7 578 250	44 608	26 934	20 959	323 648	-3 986 353
Rural Development & land Reform	3 578			-1 489			55 208	75 791	133 089
Department of Water Affairs and Sanitation	239 252,07	69 807,24							309 059,31
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	-25 583	17 473	17 450	48 950	18 423	18 327	397 457	218 776	711 274
Education	2 953 938	578 161	472 475	253 519	376 961	453 611	633 984	611 390	6 334 040
Human Settlement	90 074	133 623	6 871	6 479	4 956	5 375	188 714	952 605	1 388 696
Department of Transport	209 471	39 992	3 141	2 945	2 945	2 945	20 907	26 370	308 717
Department of Health	3 680 023	275 163	56 277	52 190	212 334	51 084	557 898	2 562 396	7 447 366
Department of Social Welfare	97 008	5 271	29						102 308
Department of Agriculture	19 406	298	166		113			1 115	21 099
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	7 601 447	216 621	693 789	150 211	125 061	116 404	285 671	132 057	9 321 261
ESKOM	225 653	35 498	34 785	35 035	35 042	34 914	31 108	169 944	601 980
Ingonyama Trust Board	24 264	495				935	381 548	1 753 781	2 161 023
Telkom	620 916	93	93						621 102
Foskor	28 822 776	12 940	12 940	12 940	12 940	730 093	76 756	601 191	30 282 578
SA Post Office	14 164	2 912	2 848	2 839	2 829	2 820	16 827	85 858	131 098
Richards Bay IDZ	2 407 538								2 407 538
Mhlathuze Water Board	3 983 675	10 000 228	228	228	228	228	1 410	41 233 648	55 219 872
King Cetshwayo District Municipality	28 703 206	14 893 914	12 376 695	13 811 113	13 833 645	14 127 383	11 914 782	1 651	109 662 390

## **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 Officials' and Councillors' debt be submitted to Council.

Employees' debt amounts to R357 283,08 as per **Annexure AL - DMS 1460030**.

Councillors' debt amounts to R143 731,82 as per **Annexure AM - DMS 1460030**.

#### 4. EXCEPTION REPORTING ON OPERATING EXPENSES FOR ENTIRE MUNICIPALITY

##### 4.1 LOSSES TO COUNCIL'S PROPERTY

The table below represents losses to Council's property for the period 1 April to 30 June 2021:

THE TABLE BELOW REPRESENTS LOSSES TO COUNCIL FOR THE PERIOD APRIL 2021 - JUNE 2021										
DATE	CLAIM NUMBER	CATERGORY	VEHICLE	V TYPE	SAPS CAS	AREA	DPT/SECT	EXCESS	DAMAGE	COUNCIL COST
23/03/2021	222020/76	Public Liability				Richards Bay	I&TS - Electricity	5 000,00	7 820,00	5 000,00
31/01/2021	222020/77	Public Liability				Richards Bay	I&TS - PMU	5 000,00	98 824,48	
31/10/2019	222020/79	Public Liability				Empangeni	Comms - Parks	5 000,00	42 550,00	
23/12/2020	222020/82	Public Liability				Richards Bay	Comms - Parks	25 000,00	1 000,00	1 000,00
27/01/2021	222020/85	Public Liability				Richards Bay	I&TS Roads	25 000,00	62 558,37	25 000,00
19/03/2021	222020/86	Public Liability	V0243 - NRB 72724	Ford Focus		Empangeni	Comms - Traffic	5 000,00	44 730,42	5 000,00
<b>TOTAL</b>								<b>70 000,00</b>	<b>257 483,27</b>	<b>36 000,00</b>
The above table represents public liability claims. There has been an increase in public liability claims, majority of which are pothole claims, which is challenging to verify authenticity.										
DATE	CLAIM NUMBER	CATERGORY	VEHICLE	V TYPE	SAPS CAS	AREA	DPT/SECT	EXCESS	DAMAGE	COUNCIL COST
29/04/2021	222020/73	Vehicle Damage	V1654 - NRB 91473	TLB		Mathshana	I&TS - Water & San			
18/08/2021	222020/84	Vehicle Damage	V1431 - NRB 92432	Toyota		Nseleni	I&TS - Rural Roads	0,00	20 378,25	20 378,25
14/05/2021	222020/87	Vehicle Damage	V0420 - NRB 56093	Nissan UD 35		Nseleni	I&TS - Rural Roads	0,00	8 773,79	8 773,79
25/06/2021	222020/88	Vehicle Damage	V1396 - NRB 89784	Isuzu Rotapress	AR107-06-2021 C	John Ross	Comms - Refuse			
08/11/2020	222020/60	Vehicle Damage	V1226 - NRB 35563	Nissan NP300		Ngwelezane	I&TS - Fitters	0,00	83 402,22	83 402,22
17/02/2021	222020/61	Vehicle Damage	V1434 - NRB 85682	Ford Ranger		Empangeni	Comms - Traffic	0,00	10 879,10	10 879,10
19/05/2021	222020/78	Vehicle Damage	V1436 - NRB 86001	Ford Ranger		Richards Bay	I&TS - Water & San			
21/08/2020	222020/1	Vehicle damage/Public	V1428 - NRB 71410	Toyota Hino	AR96/08/2020	Ngwelezane	Comms - Waste	0,00	41 988,04	
04/01/2021	222020/55	Vehicle damage/Public	V1440	Ford Ranger		Ngwelezane	I&TS - Water & San	0,00	13 631,81	13 631,81
24/03/2021	222020/59	Vehicle damage/Public	V0404 - NRB 52606	Isuzu		Richards Bay	I&TS - Plumbers			
08/04/2021	222020/62	Vehicle damage/Public	V0471 - NRB 9987	Tipper Truck		Mandlankala	I&TS - Roads & S/W			
<b>TOTAL</b>								<b>0,00</b>	<b>179 053,21</b>	<b>137 065,17</b>

There has been an increase in public liability claims, majority of which are pothole claims, which is challenging to verify authenticity.

Burst water pipes causing damages to private property is also on the increase and contributes to the higher monetary value of our liability claims.

The internal challenges that we face regarding the liability claims is that responsible sections are not co-operating in submitting investigation reports which are required by Council's insurer to determine liability and in some instances to defend matters. This jeopardises the claim which could result in repudiation or poor defence in court.

Vehicle damages remain problematic, thorough investigations are required and consequence management is to be enforced.

Insurance incidents are still not being timeously reported, which again risks claims being repudiated. Claims are to be registered within 30 days of the incident.

## 4.2 PROCEEDS FROM LAND SALES

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

Date received	Amount	Erf Number	Details
	R		
2020/11/25	5 975 032,00	Erf 11161	Resilient Properties (pty) Ltd
2021/01/27	103 500 000,00	IDZ 1F	Richards Bay Industrial Development Zone
	<b>109 475 032,00</b>		

The amount shown is inclusive of VAT.

## 4.3 COST CONTAINMENT POLICY

The implementation of Municipal Cost Containment Regulations (MCCR) was effective from 1 July 2019. Draft cost containment policy (**DMS 1407523**) has not been approved by Council however the policy served in Financial Services Portfolio Committee and has been endorsed by the Municipal Manager and the Chief Financial Officer.

ANNEXURE D: COST CONTAINMENT REPORT AS AT 30 JUNE 2021			
COST CONTAINMENT MEASURES	ADJUSTED BUDGET 2020/21	ACTUAL JUNE 2021 (YTD)	SAVINGS
Advertisement&Marketing	8 077 000	3 944 022	4 132 978
Artists and Performers	1 286 300	280 719	1 005 581
Catering Services	3 649 100	1 547 237	2 101 863
Entertainment	555 100	44 973	510 127
Communications:SMS Bulk Message Service	3 033 300	548 111	2 485 189
Consultants Sevices	86 220 800	74 771 231	11 449 569
Contracted services - Cleaning Services	7 811 100	6 002 782	1 808 318
Contracted services - Security	55 936 600	49 036 684	6 899 916
Legal Advice and Litigation	14 233 700	6 382 354	7 851 346
Travel and subsistence allowance	5 667 700	1 407 636	4 260 064
Vehicle hire for Public office bearers	388 700	350 017	38 683
<b>TOTAL</b>	<b>186 859 400</b>	<b>144 315 766</b>	<b>42 543 634</b>

## 5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1476331**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

## **PART 2 - SUPPORTING DOCUMENTATION**

### **6. SUPPLY CHAIN MANAGEMENT POLICY**

#### **LEGISLATIVE FRAMEWORK**

- Supply Chain Management Policy.
- Contract Management Policy.

#### **SUPPLY CHAIN MANAGEMENT POLICY**

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

*“6.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.*

*6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act.”*

#### **CONTRACT MANAGEMENT POLICY**

- **Statutory reporting and compliance**

Clause 7(4) of Contract Management Policy requires the Contract Management Unit to maintain contract register and Provincial Circular No. 2 of 2016/2017 in relation to Contract Management also required all municipalities to submit updated Contract Registers by the 7<sup>th</sup> of every month. As from 7 November 2017, the submission of this report commenced.

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical. The SCMU has updated its organogram and submitted for review. The SCM Practitioner position that became vacant due to the medical boarding of the previous incumbent was filled on 1 May 2021. The interviews for the two Procurement Officer positions that became vacant due to the promotion and early retirement are scheduled for 2 July 2021. Unfortunately, a matter involving employees suspended for alleged misconduct that resulted in their dismissal on 13 March 2020 is still not finalised. They have appealed, and the seating to hearing their appeal is on 12 July 2021 at Bargaining Council.

- **Internal Audit**

There were two internal audit in quarter 4 of 2020/21 financial year, the report has not been received at end of quarter 4.

- **Training and Workshops**

The Supply Chain Management Policy, Clause 8, the training of officials involved in implementing the Supply Chain Management Policy should be in accordance with National Treasury guidelines on Supply Chain Management Training.

The following training/workshops were attended:

Date	Number of Beneficiaries	Training/Workshop	Service Provider
13/04/2021	12	Preferential Procurement Regulations of 2017 Local Content	In-House Training
16/04/2021	6	Ethics, fraud and King iv training	Deloitte Touche
14/06/2021	8	Amendment to Public Audit Act (PAA) Refresher Workshop	Auditor General
07-11/06/2021 19-23/06/2021	2	Supervisor Development Skills Training	Afri-Training

- **Supply Chain Management Module - uMSAP**

SAP was introduced for transacting with effect from 1 July 2019. The current SAP ERP for SCM are: SRM – Supplier Relationship Management and MM – Material Management. SRM facilitates the procurement of goods via a web-based platform from procurement to payment. MM deals with Material Management and Inventory Management, Procurement Process, Master Data (Material and Vendor Master), Inventory Management, Valuation of Material Requirement Planning, Invoice Verification, etc. They are still teething problems that, from time to time, require the assistance of the SAP Consultants.

## DEMAND AND ACQUISITION MANAGEMENT

- **Capturing of vendors on Council's database**

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Apr-21	20
May-21	28
Jun-21	53
	<b>101</b>

- **Reporting of Supply Chain Management awards above R100 000 captured on the National Treasury database.**

Sections 74(1) and 104(1)(b) of the Municipal Finance Management Act (MFMA) prescribes the following regarding general reporting obligations:

*“The accounting officer of a municipality [and municipal entity] must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.”*

Since 1 July 2006, in terms of the National Treasury Circular, MFMA, Circular No 34, Municipalities and Municipal Entities are required to submit a separate report for each contract awarded (and signed) above R100 000, and which must be submitted within fifteen (15) days of the end of each month. A backlog still exists with the capturing of data, mainly due to the fact that the database is very slow during working hours.

A list of orders in excess of R100 000 is included under - **Annexure AP on DMS 1460030**.

- **Reporting on the Supply Chain Management Policy in terms of Section 36 (2) in which any deviation from the Supply Chain Management Policy must be approved by the Municipal Manager.**

The Supply Chain Management Policy, prescribes on Clause 36(2) *The Accounting Officer must record the reasons for any deviations in terms of sub Clauses (1)(a) and (b) of this policy and report them to the next meeting of the Council and include as a note to the annual financial statements.* The reporting is delegated to the User Department to complete this task.

**There were Six (10) deviations for the third quarter which amounts to R54 762 329 (Annexure AO - DMS 1460030):**

DEVIATIONS AS AT THE END OF QUARTER 1 ENDED 30 JUNE 2021										
	QUARTER 1		QUARTER 2		QUARTER 3		QUARTER 4		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value	No.	Value	No.	Value	No.	Value		
Corporate Services (CS)	4	7 577 243	1	292 136	1,00	50 000	1,00	434 915	07	8 354 294
Financial Services (FS)	-	-	-	-	-	-	-	-	00	-
Technical Services (TS)	-	-	5	29 624 956	5,00	52 119 093	2,00	53 808 625	12	135 552 675
Electricity and Energy Services (EES)	-	-	1	287 881	-	-	5,00	350 773	06	638 654
City Development	-	-	-	-	-	-	-	-	00	-
Community Services (COMS)	-	-	2	6 690 358	-	-	2,00	168 015	04	6 858 373
Office of the Municipal Manager	-	-	-	-	-	-	-	-	00	-
<b>Total</b>	<b>4</b>	<b>7 577 243</b>	<b>9</b>	<b>36 895 331</b>	<b>6,00</b>	<b>52 169 093</b>	<b>10,00</b>	<b>54 762 329</b>	<b>29</b>	<b>151 403 996</b>

## TENDER ADMINISTRATION

TENDER NUMBERS ISSUED, PUBLISHED, CANCELLED AND SITTING OF BID COMMITTEES				
Number of tenders numbers issued to user departments	Number of tenders published	Number of tenders Cancelled	Number of Bid Committees seated and cancelled	
			Seated	Cancelled
45	20	4	BSC 11	1
			BEC 11	0
			BAC 10	0

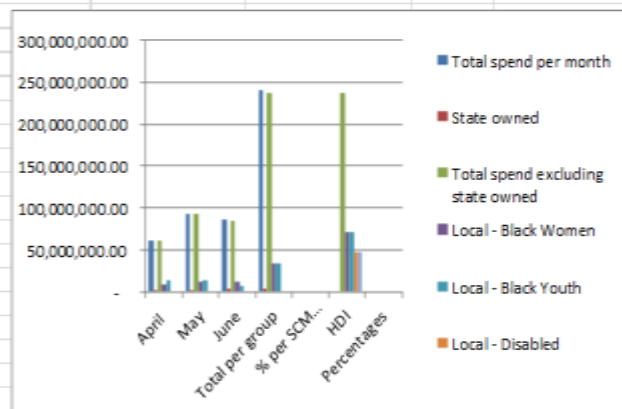


MONTH	NUMBER OF AWARDS	TOTAL
Apr-21	4	292 331 587
May-21	10	125 418 760
Jun-21	9	39 173 297
<b>TOTAL</b>	<b>23</b>	<b>456 923 644</b>

Number of Tenders where Validity Period were extended	
Number	Reasons
15	Due to the tender being referred back from the Committees for various reasons such as lack of supporting documentation and information.

- Purchase Order report reflecting how Supply Chain Management performed in terms of the category suppliers in Quarter 4:

	April	May	June	Total per group	% per SCM Policy	HDI	Percentages
Total spend per month	61,381,339.54	92,174,099.32	86,456,662.04	240,012,100.90			
State owned	253,933.50	196,078.76	2,867,646.47	3,317,658.73			
<b>Total spend excluding state owned</b>	<b>61,127,406.04</b>	<b>91,978,020.56</b>	<b>83,589,015.57</b>	<b>236,694,442.17</b>	<b>0%</b>	<b>236,694,442.17</b>	
Local - Black Women	8,854,740.98	12,749,625.92	12,590,978.43	34,195,345.33	30%	71,008,332.65	48%
Local - Black Youth	13,414,982.80	13,182,285.42	7,302,899.56	33,900,167.78	30%	71,008,332.65	48%
Local - Disabled	-	-	-	-	20%	47,338,888.43	0%
Military Veterans	-	-	-	-	20%	47,338,888.43	0%



- **Report on Objections and Complaints**

Refer to Section 1 of this report for a detailed list:

In terms of the Supply Chain Management Policy, Clause 49, *Persons aggrieved by **decisions** or **actions** taken in the implementation of this Supply Chain Management system, may lodge within 14 days of the decision or action:*

(a) *if the **objection or complaint is against the procurement process**, submit a written **objection or complaint against the decision or action** to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the dependent and impartial refer the written objection or complaint to the dependent and impartial person referred to in Clause 50 for resolution:*

(b) **Objections and Complaints Table:**

01 APRIL TO 30 JUNE 2021	
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 50)	
Details of objections or complains for tenders	Letters received during the quarter for tender: <b>8/2/1/UMH632-19/20 – Appointment of a Service Provider for the Performance of Credit Control, Revenue Protection and Indigent Support Management for the City of uMhlathuze for the Period of Three Years</b>
Against the procurement process	
Against the decision or action	Award

## CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 4	
Details	Number
Contracts Expiring in 6 months	37
Total Contracts Carried Over from Quarter 3	149
Total Effective Contracts 2020/21 - Quarter 4	135
Total Contracts closed in 2020/21 - Quarter 4	31
Total Captured in Quarter 4	17
Number of Contracts amended using 15% and 20 threshold	6

## MONTHLY STOCK COUNT

The stock count results for quarter 4 ending 30 June 2021 are as follows:

STOCK RESULTS AS AT 30 JUNE 2021	
DESCRIPTION	AMOUNT
Stock value before stocktake (30/06/2021)	19 916 224,76
Less: Stock issued during Stock Take	-476 829,31
Plus: Stock Received during Stock Take	353 749,90
Plus: Variance - Stock Surplus	33 386,00
<b>Stock value after stocktake (30/06/2021)</b>	<b>19 826 531,35</b>

## PART 3 - SUPPORTING DOCUMENTATION

### 7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 30 June 2021.

### 8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 June 2021.

### 9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 June 2021.

### 10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 30 June 2021.

### 11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 June 2021.

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

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

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

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

DEPARTMENT	ADJUSTED BUDGET 2020/21	SUPPLEMENTS/ (RETURNS)	VIREMENTS	SYSTEM BUDGET	ACTUAL YTD AT 30/06/2021	PERCENTAGE SPENT OF ADJUSTED BUDGET (SYSTEM)
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	29 612 500	-	(983 000)	28 629 500	9 925 339	35%
CITY DEVELOPMENT	29 612 500	-	(983 000)	28 629 500	9 925 339	35%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	62 242 900	-	19 129 000	81 371 900	29 726 913	37%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	16 640 400	-	2 100 000	18 740 400	5 748 970	31%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	42 958 400	-	17 093 000	60 051 400	23 516 206	39%
COMMUNITY SERVICES - PROTECTION SERVICES	2 644 100	-	(64 000)	2 580 100	461 738	18%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	67 702 400	10 200	391 100	68 103 700	35 032 953	51%
CORPORATE SERVICES - ICT	67 028 100	10 200	391 100	67 429 400	34 806 914	52%
CORPORATE SERVICES - HUMAN RESOURCES	674 300	-	-	674 300	226 039	34%
CHIEF FINANCIAL OFFICER	-	-	-	-	398 272	0%
FINANCIAL SERVICES	-	-	-	-	398 272	0%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	113 907 300	-	(2 290 100)	111 617 200	62 472 230	56%
ELECTRICAL SUPPLY SERVICES	113 907 300	-	(2 290 100)	111 617 200	62 472 230	56%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	489 192 400	-	(16 247 000)	472 945 400	284 897 848	60%
ENGINEERING SUPPORT SERVICES	117 613 000	-	(70 753 300)	46 859 700	33 126 088	71%
TRANSPORT, ROADS AND STORMWATER	153 297 700	-	(12 424 400)	140 873 300	59 959 454	43%
WATER AND SANITATION	218 281 700	-	66 930 700	285 212 400	191 812 306	67%
OFFICE OF THE MUNICIPAL MANAGER	51 000	-	-	51 000	20 868	0%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	51 000	-	-	51 000	20 868	41%
TOTAL CAPITAL BUDGET	762 708 500	10 200	-	762 718 700	422 474 423	55%

### 13. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 30 June 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**).

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

Refer to **DMS 1477105 (Annexure AR)**.

### **PART 4 - OTHER LEGISLATION REQUIREMENTS**

#### **15. WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003) the Accounting Officer must within 30 days after the end of each quarter table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AP (DMS 1460030)** for Form D.

***“Withdrawals from municipal bank accounts-***

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

None

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

The tables below indicate the unforeseeable and unavoidable expenditure:

FUNCTION	FUNCTION DESCRIPTION	PROJECT	COMMITMENT ITEM	COMMITMENT ITEM DESCRIPTION	OVER-EXPENDITURE
AB	Buildings Maintenance	M/AB7BA1.070	4450000400	IE:Op Cost:Inventory Consumed:Materials & Supplies	(120 049)
AC	Halls	D/AC7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(196 981)
AC	Halls	D/AC7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(39 238)
AD	Municipal Buildings	D/AD7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(8 086)
AE	Libraries	D/AE7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(4 156)
AE	Libraries	D/AE7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(29 631)
AG	Museums	D/AG7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(19 434)
AI	Elect: Marketing and Customer relations	D/AI3BA1.001	4450000100	IE:Consumption:Fuel & Oil	(43 783)
AI	Elect: Marketing and Customer relations	D/AI3BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(24 816)
AJ	Electricity Administration	D/AJ3BA1.001	4300000050	IE:Bulk Purchases:Electricity:ESCOM	(39 159 714)
AJ	Electricity Administration	D/AJ3BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(12 642)
AL	Electricity: Distribution	D/AL3BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(52 970)
AN	Electricity: Planning	D/AN3BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(28 633)
AP	Street Lighting	D/AP3BA1.001	4450000100	IE:Consumption:Fuel & Oil	(177 565)
AP	Street Lighting	D/AP3BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(12 862)
AQ	Process Control Systems	D/AQ3BA1.001	4450000100	IE:Consumption:Fuel & Oil	(12 608)
AS	Mayor and Council	H/AS7BA1.001	4100002350	IE:MS:Medical:Defined Contribution Fund Expenses	(139 793)
AS	Mayor and Council	D/AS7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(5 486)
AU	DMM - Corporate Services	D/AU7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(10 746)
AV	DMM - Infrastructure Services	D/AV7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(22 191)
BA	Performance Management	D/BA7BA1.001	4400000210	IE:CS:Busi Advi:Performance Audit Committee	(19 571)
BB	Administrative and Corporate Support	D/BB7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(150 197)
BF	Fleet Management	D/BF7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	(22 920)
BF	Fleet Management	D/BF7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(2 256 540)
BF	Fleet Management	V/BF7BA1.001	4450000300	IE:Inventory Consumed:Materials and Supplies	(28 538)
BF	Fleet Management	D/BF7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(75 264)
BG	Human Resources	D/BG7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(56 076)

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FUNCTION	FUNCTION DESCRIPTION	PROJECT	COMMITMENT ITEM	COMMITMENT ITEM DESCRIPTION	OVER-EXPENDITURE
BH	Management Services	D/BH7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(12 222)
BI	Occupational Clinic	D/BI7BA1.001	4400004100	IE:CS:Contr:Medical Services	(149 321)
BI	Occupational Clinic	D/BI7BA1.001	4400005400	IE:CS:Occupational Health and Safety	(1 056)
BI	Occupational Clinic	D/BI7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(6 357)
BJ	Training and Industrial Relations	D/BJ7BA1.001	4400007700	IE:CS:Outsour Services:Cleaning Services	(533 051)
BJ	Training and Industrial Relations	D/BJ7BA1.001	4450000300	IE:Inventory Consumed:Materials and Supplies	(465 035)
BJ	Training and Industrial Relations	D/BJ7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(10 361)
BJ	Training and Industrial Relations	D/BJ7BA1.001	4500007700	IE:Op Cost:Uniform and Protective Clothing PPE	(382 126)
BK	Information Technology	D/BK7BA1.001	4400000900	IE:CS:Busi Advi:Project Management	(12 626 075)
BK	Information Technology	D/BK7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(26 667)
BO	Risk Management	D/BO7BA1.001	4400000220	IE:CS:Busi Advi:Enterprise Risk Management Committ	(21 476)
BP	Security Services	D/BP7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(17 969)
BQ	Supply Chain Management	D/BQZZA1.001	4450000300	IE:Inventory Consumed:Materials and Supplies	(8 713)
BQ	Supply Chain Management	D/BQ7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(74 449)
BR	Valuation Service	D/BR7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(4 722)
BT	Housing	D/BT07A1.001	4400004500	IE:CS:Contr:Safeguard and Security	(46 043)
BT	Housing	D/BT7BA1.001	4450000000	IE:Inventory Consumed:Consumab:Standard Rated	(2 103)
BT	Housing	D/BT7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(38 961)
BU	Internal Audit	D/BU7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(6 698)
BW	Licensing and Regulation	D/BW7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(4 417)
BX	Tourism	D/BX7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(3 300)
BZ	Corporate Wide Strategic Plan (IDPs, LED	D/BZ7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(44 911)
CC	Economic Development/Planning	D/CC36A1.001	4400001550	IE:CS:Con&Pro Ser:Infra&Planning:Aeronautical	(1 174 250)
CC	Economic Development/Planning	D/CC7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(40 680)
CD	Town Planning, Building Regulations	D/CD7BA1.001	4400006100	IE:CS:Catering Services	(9 615)
CD	Town Planning, Building Regulations	D/CD7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(48 589)
CF	PMU - Asset Management	D/CF7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(57 283)
CK	Fire Fighting and Protection	D/CK7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(74 051)
CK	Fire Fighting and Protection	D/CK7BA1.001	4700000200	IE:Trf&Sub:Social Assistance:Grant In Aid	(71 650)
CN	Roads - Urban Roads	D/CN7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(107 993)
CO	Roads - Rural Roads	D/CO7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(4 330)

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FUNCTION	FUNCTION DESCRIPTION	PROJECT	COMMITMENT ITEM	COMMITMENT ITEM DESCRIPTION	OVER-EXPENDITURE
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	(94 678)
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4400006300	IE:CS:Outsour Services:Cleaning Services	(52 145)
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(1 190 486)
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(151 660)
CR	Road and Traffic Regulation	D/CR7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(33 967)
CT	Community Parks (including Nurseries)	D/CT7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(916 393)
CT	Community Parks (including Nurseries)	D/CT7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(65 792)
CX	Recreational Facilities - Parks Admin	D/CX7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(131 780)
CY	Recreational Facilities - Swimming Pools	D/CY7BA1.001	4500008500	IE:Op Cost:Uniform & Protective Clothing Specialis	(26 280)
CZ	Sport Development and Sportfields	D/CZ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(8 173)
CZ	Sport Development and Sportfields	D/CZ7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(12 535)
DB	Sports Grounds and Stadiums - Stadium	D/DB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	(97 220)
DC	Solid Waste Removal	D/DC4BA1.001	4450000100	IE:Consumption:Fuel & Oil	(2 562 086)
DC	Solid Waste Removal	D/DC4BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(87 388)
DE	Street Cleaning	D/DE4BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(17 838)
DH	Sewerage Pump Station	D/DH5BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(20 787)
DI	Sewerage - Sewerage Network	D/DI5BA1.001	4450000100	IE:Consumption:Fuel & Oil	(200 984)
DI	Sewerage - Sewerage Network	D/DI5BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(67 653)
DK	Waste Water Treatment	D/DK5BA1.001	4400003900	IE:CS:Contractor:Maintenance of Unspecified Assets	(125 000)
DK	Waste Water Treatment	D/DK5BA1.001	4400007300	IE:CS:Sewerage Services	(1 496 040)
DL	Water Treatment - Scientific Services	D/DL6BA1.001	4450000100	IE:Consumption:Fuel & Oil	(26 817)
DM	Water Distribution - Rural Water	D/DM6BA1.001	4450000100	IE:Consumption:Fuel & Oil	(1 371 118)
DN	Water Distribution - Urban Water	D/DN6BA1.001	4450000100	IE:Consumption:Fuel & Oil	(345 514)
DN	Water Distribution - Urban Water	M/DN6BA1.033	4500008000	IE:Op Cost:Hire Charges:Machinery and Equipment	(402 400)
DN	Water Distribution - Urban Water	M/DN6BA1.036	4500008000	IE:Op Cost:Hire Charges:Machinery and Equipment	(302 580)
DO	Water Distribution - Water Demand Mngmnt	D/DO6BA1.001	4450000100	IE:Consumption:Fuel & Oil	(56 223)
DO	Water Distribution - Water Demand Mngmnt	D/DO6BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(7 811)
DQ	Water Distribution - Purification works	D/DQ6BA1.001	4500004000	IE:Op Cost:Levies Paid-Water Resource Manag Charge	(7 957 310)
DS	Revenue and Expenditure	D/DS7BA1.001	4300018400	IE:Int,Div&Rent Land:Int Paid:Overdue Accounts	(270 124)
DS	Revenue and Expenditure	D/DS7BA1.001	4300018500	IE:OC:Fines&Penalties:Breach of Contract	(316 369)
DS	Revenue and Expenditure	D/DS7BA1.001	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(363 944)
<b>TOTAL</b>					<b>(77 584 055)</b>

This unforeseeable and unavoidable expenditure needs to be authorised in terms of section 29 (3) and is captured accordingly in terms of recommendation 3.



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

None

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

R16 283 774,91 (NPA vehicle licence pay over).

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

R17 022.00

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

R991 100,70 (Refund of credit balances and deposits debtors accounts).

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

Refer to Annexure O and Annexure S.

## **ENVIRONMENTAL IMPLICATIONS**

None

## **FINANCIAL IMPLICATIONS**

This has been covered in details throughout the report.

## **LEGAL IMPLICATIONS**

The monthly and quarterly financial report is prepared in terms of Section 71 and Section 72 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003).

## **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

Refer to the Executive summary contained in this report for comments.

## **DISCUSSION HELD BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 27 JULY 2021**

The Chief Financial Officer echoed concern expressed around poor performance in terms of the capital budget spending and acknowledged poor planning from the Administration as the main contributor. It was, however indicated that the Municipal Manager has intervened in the situation and such would be manifested in the near future. The Committee was informed that there has been a remarkable performance from all categories under the Grants Balances as a 100% spending has been achieved, and that there would be nothing to be returned to the National Fiscus. However, it was indicated that a challenge was encountered towards the Grants received from the Provincial Treasury as they were less than the actual spending.

With regard to the King Cetshwayo District Municipality (KCDM) debt, the Committee was informed that as reported from the previous Portfolio Committee meeting, KCDM has escalated their dispute on the tariffs charged to the Department: Cooperative Governance and Traditional Affairs. Furthermore, it was reported that the amount reflected in the report under the KCDM debt was after the deduction of the reduced tariff.

Correction was made on the heading “*Top Ten Business Debts*” to read “*Top Ten Debts*”. With regard to the format of reporting under the “*Top Ten Debt and Government Debt*”, the Committee was informed that an effort will be made to invent a more user friendly reporting format in order to eliminate possible confusion.

**RECOMMENDED THAT:**

1. the financial position of the uMhlathuze Municipality as at 30 June 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 1476331)** including the quarterly requirements in terms of Section 52(d) be noted;
2. the amount of **R77 584 055,00 (part - 4 other legislative requirements - Section 15 (b) unforeseeable and unavoidable expenditure)** be condoned in terms of Section 29 (3); and
3. savings as per Municipal cost containment regulations **(under 4.3)**, be noted.