

15042

## MID-YEAR BUDGET REPORT AS AT 31 DECEMBER 2021

*This report served before the Financial Services Portfolio Committee on 24 January 2022.  
The*

### PURPOSE

1. To submit to Council, the financial position of the uMhlathuze Municipality for the quarter ended 31 December 2021, 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, 72 and Section 52(d) respectively are also included in this report.
2. From Mid-Year Review, suggested interventions for 21/22 Adjustments Budget to be considered later in February 2022.

### 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

The Mid-year report, although framed principally in terms of Section 72 of the Municipal Finance Management Act, also simultaneously addresses the Section 71 reporting as allowed in terms of Section 72(2).

In addition, the quarterly reporting as required by the Mayor in terms of Section 52(d) as well as the additional monthly reporting as required by Council is also included herein.

#### A. SECTION 72 - MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

**“(1) The accounting officer of a municipality must by 25 January of each year**

- (a) assess the performance of the municipality during the first half of the financial year, taking into account-

- (i) *the monthly statements referred to in section 71 for the first half of the financial year;*

- (ii) *the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;*
  - (iii) *the past year's annual report, and progress on resolving problems identified in the annual report; and*
  - (iv) *the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and*
- (b) *submit a report on such assessment to-*
- (i) *the mayor of the municipality;*
  - (ii) *the National Treasury; and*
  - (iii) *the relevant provincial treasury."*

In the discussion that follows, the sections of this report will be divided in order of the prescriptions above.

**B. 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 the 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. 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.

**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 1494974)**;
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote **Annexure AB (DMS 1494974)**;
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote **Annexure AC - AK (DMS 1494974)**;
- ❑ Component 4: Ward information for expenditure and service delivery **Annexure AL and AM (DMS 1494974)**; and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years **Annexure AN (DMS 1494974)**.

## 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.

## TABLE OF CONTENTS

<b>PART 1 - IN-YEAR REPORTING</b>	
1.	Mayoral Report
2.	Resolutions
3.	Executive Summary
3.1	Executive Summary - Operating Budget
3.2	Executive Summary - Cash Flow Situation
3.3	Executive Summary - Grants Balances
3.4	Executive Summary - Capital Budget Summary
3.5	Executive Summary - Expenditure per Category
3.6	Executive Summary - Revenue by Source
3.8	Executive Summary - Debtors Age Analysis
3.9	Executive Summary - Employee Debt and Councillor Debt
3.10	Executive Summary - Outstanding Creditors
4.	Exception Reporting - Operating Expenses for Entire Municipality
4.1	Losses to Council Property
4.2	Proceeds on Land Sales
4.3	Cost Containment Policy
5.	Proposed Adjusted Budget for Consideration in February 2022
6.	In-year budget statement tables
<b>PART 2 - SUPPORTING DOCUMENTATION</b>	
7.	Supply Chain Management Policy
<b>PART 3 - SUPPORTING DOCUMENTATION</b>	
8.	Debtors' Analysis
9.	Creditors' Analysis
10.	Investment portfolio analysis
11.	Allocation and grant receipts and expenditure
12.	Councillor allowances and employee benefits
13.	Material variances to the Service Delivery and Budget Implementation Plan (SDBIP Component 5 Summary)
14.	Capital programme performance
15.	Municipal Manager's quality certification
<b>PART 4 - OTHER LEGISLATIVE REQUIREMENTS</b>	
16.	Withdrawals

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

### **1. MAYORAL REPORT FOR THE MONTH OF DECEMBER 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 December 2021, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 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 December 2021 (year to date actual) shows a surplus of R37,2 million. Council has also received the second trench of Equitable share amount of R138,7 million which contributed to the surplus. The performance in this area is **Acceptable**.

#### **Capital Budget**

Council is in the second quarter of the financial year and capital expenditure is very low at R224,4 million (33,09%). This is based on the Proposed Adjustment Budget of R678 million. Expenditure is expected to rise as the year progresses. The performance in this area although is **Not Acceptable**. Although overall capex spend is poor, a positive is that there is a far better performance on Grant funded projects, as illustrated on page 10.

#### **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 2,37:1 (659 530/278 226). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Good**.

### **2. RESOLUTIONS**

Refer to the recommendations contained in this report.

### 3. **EXECUTIVE SUMMARY**

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

#### 3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 31 December 2021:

DESCRIPTION	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)	ACTUAL DECEMBER 2021 (YTD)	% PRO-RATA PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	R	%
Revenue	3 762 787 100	3 762 787 100	1 881 393 550	1 860 581 408	98.89%
Expenditure	3 913 241 800	3 913 491 800	1 956 745 900	1 822 352 819	93.13%
Operating Surplus/(Deficit)	(150 454 700)	(150 704 700)	(75 352 350)	38 228 589	

#### 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 2,37:1 (659 530/278 226).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2021/22	AMOUNT RECEIVED AS AT 31/12/2021	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/12/2021	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL BUDGET	COMMENTS
<b>NATIONAL TREASURY</b>							
Equitable Share	416 124 000	312 092 000	104 032 000	208 062 000	67%	50%	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	134 750 000	91 062 000	43 688 000	47 757 899	52%	35%	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	2 450 000	2 450 000	-	1 759 442	72%	72%	Spending is in accordance with the support plan submitted to National Treasury for the grant.
Water services infrastructure grant	30 000 000	30 000 000	-	20 063 373	67%	67%	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	3 417 000	2 392 000	1 025 000	1 591 799	67%	47%	The grant is for the operational expenditure for EPWP.Expenditure shown is the total actual operating costs of the EPWP for the period under review.
Energy Efficiency and Demand Management	4 000 000	3 500 000	500 000		0%	0%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. No capital expenditure has been incurred in the period under review.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>590 741 000</b>	<b>441 496 000</b>	<b>149 245 000</b>	<b>279 234 514</b>	<b>63%</b>	<b>47%</b>	



DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2021/22	AMOUNT RECEIVED AS AT 31/12/2021	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/12/2021	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL BUDGET	COMMENTS
<b>PROVINCIAL TREASURY</b>							
Provincialisation of Libraries	9 136 000	9 136 000	-	17 252 392	189%	189%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 618 000	2 618 000	-	902 346	34%	34%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	1 206 000	4 912 875	(3 706 875)	9 814 716	200%	814%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	225 000	-	225 000	1 794 084	0%	797%	Grant will only be received once an MOA has been signed. This MOA is in the process of being finalised. Expenditure shown is the total actual operating costs of the Museum for the period under review.
Sports and Recreation - Capital	10 943 000	3 647 667	7 295 333	6 751 851	185%	62%	This grant is for capital to help build sports facilities and develop sports and recreation,
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>24 128 000</b>	<b>20 314 541</b>	<b>3 813 459</b>	<b>36 515 389</b>	<b>180%</b>	<b>151%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>614 869 000</b>	<b>461 810 541</b>	<b>153 058 459</b>	<b>315 749 902</b>	<b>68%</b>	<b>51%</b>	

### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 December 2021:

FUNCTION	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	ACTUAL DECEMBER 2021 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	%
Finance and Administration	48 889 800	32 385 300	13 359 635	41,25%
Community and Social Services	65 932 800	30 897 700	8 089 816	26,18%
Energy Sources	83 598 100	62 572 700	35 127 883	56,14%
Executive and Council	127 000	-	-	0,00%
Environmental Protection	4 400 700	2 400 700	-	0,00%
Air Transport - Air port	19 500 000	19 500 000	-	0,00%
Planning and Development	48 878 500	7 140 500	31 050	0,43%
Public Safety	1 111 000	872 500	153 697	17,62%
Road Transport	127 793 700	108 417 500	48 596 565	44,82%
Sport and Recreation	60 876 900	53 901 000	22 545 468	41,83%
Waste Water Management	69 416 300	70 336 300	17 970 409	25,55%
Water	300 442 600	289 972 600	78 575 345	27,10%
	<b>830 967 400</b>	<b>678 396 800</b>	<b>224 449 868</b>	<b>33,09%</b>

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	ACTUAL DECEMBER 2021 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	%
Borrowing	226 138 200	374 000 000	111 557 497	29,83%
Capital Replacement Reserve	431 873 700	131 441 300	34 721 016	26,42%
Integrated Urban Development Grant	128 012 500	128 012 500	52 942 035	41,36%
Government Grants - National	34 000 000	34 000 000	18 477 740	54,35%
Government Grants - Provincial	10 943 000	10 943 000	6 751 581	61,70%
<b>TOTAL</b>	<b>830 967 400</b>	<b>678 396 800</b>	<b>224 449 868</b>	<b>33,09%</b>

As can be seen above the overall spending on the Capital Budget is poor, however a positive is the spending on capital grant funded projects as much better and reduces the risk of forfeit to National Treasury at year end.

### 3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2021/2022	SYSTEM BUDGET 2021/2022	PRO-RATA SYSTEM BUDGET (YTD)	ACTUAL DECEMBER 2021 (YTD)	% PRO-RATA PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	R	%
Employee related costs	1 084 038 100	1 086 693 100	543 346 550	481 894 811	88.69%
Remuneration of Councillors	35 115 900	35 115 900	17 557 950	14 726 852	83.88%
Debt Impairment	139 527 300	139 527 300	69 763 650	69 763 650	100.00%
Depreciation and asset impairment	435 000 000	435 000 000	217 500 000	217 500 000	100.00%
Finance Charges	69 027 500	69 027 500	34 513 750	34 513 750	100.00%
Bulk Purchases - Electricity	1 242 092 300	1 242 092 300	621 046 150	590 683 868	95.11%
Inventory consumed - Water	360 400 100	360 400 100	180 200 050	176 737 946	98.08%
Inventory consumed - Materials	140 161 000	142 042 200	71 021 100	57 062 553	80.35%
Contracted Services	316 498 400	310 953 900	155 476 950	141 484 711	91.00%
Transfers and grants	14 597 400	14 858 900	7 429 450	6 678 943	89.90%
Other Expenditure	293 288 300	294 285 100	147 142 550	141 537 327	96.19%
Losses - Water Inventory (Note 1)	243 095 100	243 095 100	121 547 550	124 257 320	102.23%
Losses - Other	-	-	-	86 208	0.00%
Inventory consumed - Capitalisation (Note 2)	(459 599 600)	(459 599 600)	(229 799 800)	(234 575 120)	102.08%
<b>TOTAL</b>	<b>3 913 241 800</b>	<b>3 913 491 800</b>	<b>1 956 745 900</b>	<b>1 822 352 819</b>	<b>93.13%</b>

The above table represents operating expenditure per category as at 31 December 2021.

#### **Note 1 and 2 above:**

#### **Water Balance Model**

In terms of Version 6.5 of the mSCOA chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. This model has been derived after consultation with the National Water and Sanitation department and will ensure that water is properly costed and properly accounted for in terms actual volumes of water, purchased, produced, sold and lost.

**Employee Related Costs:** Council resolved in terms of CR 14977 dated 29 September 2021, to implement the Salary and Wage Collective Agreement, for the period 1 July 2021 to 30 June 2024. This agreement will also result in the payment of a once-off non-pensionable cash allowance which will be paid with the February 2022 salary, to allow for provision on the 2021/22 Adjusted Budget. This amounts to R 7,4 million.

Council moreover resolved in terms of Council Resolution 14984 dated 29 September 2021, to implement the Job Evaluation Results with effect from 1 November 2021 and this additional expenditure amounts to R 11 million.

Provision will need to be made during the 2021/22 Adjusted Budget for these additional costs.

### 3.6 Revenue by Source

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

REVENUE BY SOURCE	ADOPTED BUDGET 2021/2022	SYSTEM BUDGET 2021/2022	PRO-RATA SYSTEM BUDGET (YTD)	ACTUAL DECEMBER 2021 (YTD)	% PRO-RATA SYSTEM BUDGET SPENT
	R	R	R	R	%
Rates	617 377 500	617 377 500	308 688 750	313 688 080	101.62%
Service Charges – Electricity revenue	1 790 122 900	1 790 122 900	895 061 450	830 605 046	92.80%
Service Charges – Water revenue	469 985 800	469 985 800	234 992 900	235 102 459	100.05%
Service Charges – Sanitation revenue	107 609 700	107 609 700	53 804 850	53 520 981	99.47%
Service Charges – Refuse revenue	107 606 900	107 606 900	53 803 450	52 570 822	97.71%
Rental of facilities and equipment	23 104 900	23 104 900	11 552 450	3 110 516	26.93%
Interest earned – external investments	65 000 000	65 000 000	32 500 000	32 934 774	101.34%
Interest earned – outstanding debtors	118 000	118 000	59 000	111 599	189.15%
Fines, penalties and forfeits	57 082 200	57 082 200	28 541 100	5 443 330	19.07%
Licences and permits	3 525 900	3 525 900	1 762 950	690 644	39.18%
Agency services	6 179 400	6 179 400	3 089 700	3 389 778	109.71%
Operating Transfers and Subsidies	441 913 500	441 913 500	220 956 750	311 881 647	141.15%
Other Revenue	36 284 300	36 284 300	18 142 150	17 531 733	96.64%
Gains - Employee related costs	36 876 100	36 876 100	18 438 050	-	0.00%
<b>TOTAL REVENUE</b>	<b>3 762 787 100</b>	<b>3 762 787 100</b>	<b>1 881 393 550</b>	<b>1 860 581 408</b>	<b>98.89%</b>

The above table represents operating revenue by source as at 31 December 2021.

As can be seen from the Table above, Actual Revenue to date as compared to Budget Revenue is lower than anticipated, this specifically with Electricity.

This was anticipated as reported and presented by the Chief Financial Officer to Council in September following the July unrest, municipal revenue is going to be negatively affected. In addition:

- Electricity power outages affecting electricity consumption;
- Mondi shutdown which was not communicated with the municipality.

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

DETAILS	ADOPTED BUDGET 2021/22	PRO-RATA SYSTEM BUDGET (YTD)	ACTUALS DECEMBER 2021 (YTD)	% PRO-RATA SYSTEM BUDGET SPENT
	R	R	R	
Fines:Illegal Connections	1 697 400	848 700	270 227	32%
Fines:Law Enforcement	2 700	1 350	-	0%
Fines:Overdue Books	16 000	8 000	1 618	20%
Fines:Pound Fees	100	50	-	0%
Fines:Trafic:Court Fines	391 500	195 750	-	0%
Fines:Trafic:Municipal	50 314 500	25 157 250	2 283 358	9%
Forfeits:Deposits	762 700	381 350	913 437	240%
Fines:Motor Vehicle Licence	1 100	550	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	3 896 200	1 948 100	1 974 689	101%
<b>TOTAL</b>	<b>57 082 200</b>	<b>28 541 100</b>	<b>5 443 330</b>	<b>19%</b>

What is of concern is that Traffic Fine income has dropped considerably. Every effort should be made to turn this situation around.

### 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	95 412 887	-	-	-	95 412 887
Bulk Water	15 222 062	-	-	-	15 222 062
PAYE deductions	14 717 340	13 634 940	-	-	28 352 280
Pensions / Retirement deductions	11 839 672	-	-	-	11 839 672
Trade Creditors	1 037 362	155 318	-	1 099 362	2 292 043
Other	97 717	-	-	-	97 717
<b>Total By Customer Type</b>	<b>138 327 039</b>	<b>13 790 259</b>	<b>-</b>	<b>1 099 362</b>	<b>153 216 660</b>

The above table represents the ageing of creditors outstanding as at 31 December 2021. As per the National Treasury Circular 71 uniform rations 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 December 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.

## **Outstanding Creditors**

At a previous Financial Services Portfolio Committee meeting, Councillors requested that creditors greater than R100 000 outstanding for 90 days and longer be submitted to Council:

Creditor	Amount	Reason
King Cetshwayo District Municipality	R 1 099 362,00	Invoice in dispute as it relates to services for the former Ntambanana Municipality

### **3.7 Debtors Age Analysis**

#### **➤ Debtors Age Analysis by Category**

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	7 309 353	139 930	121 830	72 650 550	80 221 663
Business	248 303 242	30 453 271	12 483 384	225 069 173	516 309 070
Households	58 264 939	5 112 760	4 887 040	183 188 069	251 452 808
Other	3 925 997	627 338	567 538	13 414 622	18 535 495
<b>Total</b>	<b>317 803 531</b>	<b>36 333 299</b>	<b>18 059 792</b>	<b>494 322 414</b>	<b>866 519 036</b>
<b>%</b>	<b>36,68%</b>	<b>4,19%</b>	<b>2,08%</b>	<b>57,05%</b>	

## **FINANCIAL REPORTING ON INCOME / DEBT**

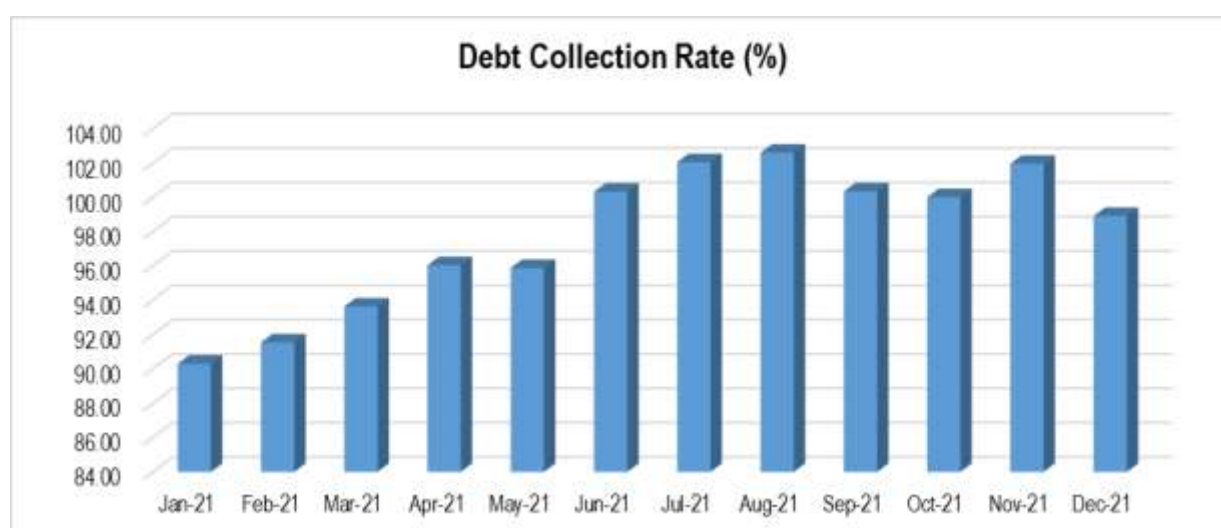
Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National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

<b>Formula (As per circular 71)</b>	<b>Norm</b>
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 Rate (%)
Dec-21	98.92
Nov-21	101.96
Oct-21	100.01
Sep-21	100.35
Aug-21	102.61
Jul-21	102.06
Jun-21	100.33
May-21	95.89
Apr-21	96.05
Mar-21	93.64
Feb-21	91.55
Jan-21	90.31



### ➤ **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>

Month	Nett Debtor Days
Dec-21	78.12
Nov-21	66.08
Oct-21	63.51
Sep-21	70.53
Aug-21	64.31
Jul-21	63.09
Jun-21	57.37
May-21	71.40
Apr-21	71.86
Mar-21	78.58
Feb-21	81.75
Jan-21	80.08



➤ **Debtors Turnover Rate**

Month	Debtor's Turnover Rate (%)
Dec-21	24.00%
Nov-21	20.70%
Oct-21	20.39%
Sep-21	22.03%
Aug-21	20.47%
Jul-21	20.30%
Jun-21	18.97%
May-21	22.95%
Apr-21	23.96%
Mar-21	26.27%
Feb-21	27.56%
Jan-21	27.37%





➤ **Top Ten Debtors – Any Category**

TOP 10 DEBTORS - ANY CATEGORY		
Debt No	Over 90 Days	Total Debt
1088329	63 448 486.87	77 585 624.79
501543	63 913 073.55	72 316 375.00
531788	47 714 585.37	47 714 585.37
962262	4 561 563.72	11 383 075.60
551583	9 018 229.37	10 760 395.42
1632348	3 935 922.17	5 390 183.46
895873	4 414 032.00	4 414 032.00
1062987	3 913 920.00	3 913 920.00
2328365	3 787 249.67	3 787 249.67
392020	1 931 677.83	3 026 631.65
	<b>206 638 740.55</b>	<b>240 292 072.96</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.

### **3.8 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 R123 670,89 as per **Annexure AP - DMS 1494974**.

Councillors' debt amounts to R30 658,96 as per **Annexure AO - DMS 1494974**.

#### 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 October to 31 December 2021:

GLASS REPLACEMENT CLAIMS										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
07/07/2021	222021/14	Glass Replacement	V1369 - Driven by AV Mthembu - glass fell and broke as the hinges of the canopy loosened on the road	V1369 - NRB 89192	Kwa-Dlangezwa	338	I&TS - Water	0,00	6 449,99	6 449,99
07/07/2021	222021/15	Glass Replacement	V1477 - Driven by SS Biyela - stone picked up and damaged the driver's side window	V1477 - NRB 94185	Kwa-Dlangezwa	339	I&TS - Water	0,00	1 308,70	1 308,70
								0,00	7 758,69	7 758,69

PUBLIC LIABILITY CLAIMS									
DATE	CLAIM NUMBER	DETAILS OF INCIDENT	VEHICLE	3rd PARTY	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
10/07/2021	222021/5	V0432 - Driven by Sandile Makhathini - the door flung open and hit ND 751-986 breaking the glass		ND 751 - 986, Nzuzi - 0766913922 (Nduna)	Richards Bay	Comms - Waste	0,00	0,00	0,00
10/08/2021	222021/6	V0471 - Driven by Temba M Mkhwanazi allegedly hit TP SAY - ZN whilst changing lanes	V0471 - NRB 9987	Sibongile Dhladla - 065 614 1139 - SAY YES - ZN	John Ross	I&TS - Roads	0,00	0,00	0,00
20/08/2021	222021/9	V1249 - Driven by S Mkhwanazi - hit a pedestrian and tp was declared deceased on the scene	V1249 - NRB 1249	Mandla Khumalo - 0835454824/0731044602	Madlankala	I&TS - Roads	0,00	0,00	0,00
10/02/2021	222021/10	Clover SA represented by JJFB Inc is claiming for damages to NUF 36882 allegedly damaged by a tree		Clover SA	Masakhane	Comms - Parks	25 000,00	55 657,04	25 000,00
19/11/2019	222021/11	Arangies Attorneys is claiming on behalf of Quinton Posthumus for tyre damages due to a pothole		Quinton Posthumus - NRB 26590	Alumina Alley	I&TS - Roads	20 000,00	29 601,01	20 000,00
24/05/2021	222021/13	MS Dlamini on behalf of Sihle Msweli is claiming for damages/hazards and degrading of his property		MS Dlamini Attorneys - 071 015 6389	Nseleni	I&TS - Roads	25 000,00	265 200,00	25 000,00
15/09/2021	222021/16	V0402 - Driven by NL Mpanza, damaged a TP vehicle - ND 338-877 whilst reversing	V0402 - NRB 52884	Siyabonga Gumede - ND 338-877 - 0742609854	Esikhaleni	Comms - Waste	5 000,00	12 142,65	5 000,00
25/11/2021	222021/25	V0493 - Driven by B Mjadu was involved in a tp collision with NRB 36537	V0493 - NRB 40025	Revange Bissoondut - NRB 36537 - 0680273644	Richards Bay	Comms - Waste	5 000,00	0,00	5 000,00
13/10/2021	222021/26	V0302 - Driven by RT Ndlovu was involved in a TP collision with NRB 75855 - Mr Mthlane	V0302 - NRB 80916	MT Mthlane - 076 379 2372 - NRB 75855	Esikhaleni	I&TS - Water	0,00	0,00	0,00
							80 000,00	362 600,70	80 000,00

NOTES:

OFFICIAL FINAL VERSION

RPT 172303  
Page 18 of 35

DAMAGES TO COUNCIL'S PROPERTY							
DATE	CLAIM NUMBER	DETAILS OF INCIDENT	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
08/10/2021	222021/19	Nseleni cash office was robbed by gunmen that entered the building and held the staff and security up by gunpoint	Nseleni	Finance - Income	0,00	22 344,00	22 344,00
					<b>0,00</b>	<b>22 344,00</b>	<b>22 344,00</b>

DAMAGES TO COUNCIL VEHICLES										
DATE	CLAIM NUMBER	DETAILS OF INCIDENT	VEHICLE	V TYPE	3rd PARTY	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
29/10/2021	222021/20	V1612 was damaged when the trailer unhooked and hit into the side of the bridge	V1612 - NRB 64660	Trailer		Nsezi Bridge	I&TS - Roads	0,00	5 929,40	5929,40
16/08/2021	222021/8	V1441 - Driven by TW Mdlalose was involved in a TP collision with NUF 34418	V1441 - NRB 86487	Ford Ranger	IN Khumalo - NUF 34418	Empangeni	Comms - Waste	0,00	27 259,52	27 259,52
14/09/2021	222021/12	S Thabethe driving V0407 was damaged when he hit a tp vehicle then overturned allegedly brake failure	V0407 - NRB 52609	Isuzu	Gift Luvumo - NP 157-090 - 0828843280	Athlone - PMB	Comms - Parks	0,00	0,00	19 952,20
31/10/2021	222021/21	V0322 - Driven by GK Myeza was involved in a TP collision with ND 196284	V0322 - NRB 41756	Quantum	Sibusiso Mhlongo - ND 196284	Esikhaleni	Comms - Traffic	0,00	15 999,64	15 999,64
01/11/2021	222021/22	V0340 - Driven by J Venkatchalam was involved in a TP collision with NRB 70234	V0340 - NRB 77428		SM Nxele - NRB 70234	Empangeni	Comms - Traffic	0,00	24 125,67	24 125,67
								<b>0,00</b>	<b>73 314,23</b>	<b>93 266,43</b>

- Glass damage incidents are not being reported, 4 claims in 6 months is not a true reflection, it is becoming a norm that glass damage incidents are only reported when a vehicle is scheduled for COR/COF;
- Public liability claims involving Council's drivers remain problematic, as previously mentioned the reason for this could be due to the non- existence of consequence management;
- Pot holes claims by public members is increasing rapidly;
- Since the installation of tracker system vehicle theft has stopped, but it is noted that other theft remains an ongoing issue although security personnel are present;
- The issue of vehicle damages is one that has to be taken more seriously, as previously requested thorough investigations must be carried out for each incident and consequence management applied;
- Vehicle damages are not being reported and followed-up. To curb this problem, weekly vehicle inspections should be done;
- Insurance incidents are still not being timeously reported, which can result in claims being repudiated. Claims must 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:

**NIL for the quarter ended 31 December 2021**

#### **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 has been endorsed by Municipal Manager and the Chief Financial Officer.

**ANNEXURE D: COST CONTAINMENT REPORT AS AT 31 DECEMBER 2021**

<b>COST CONTAINMENT MEASURES</b>	<b>PROPOSED ADJUSTED BUDGET 2020/21</b>	<b>PRO-RATA PROPOSED ADJUSTED BUDGET (YTD)</b>	<b>ACTUAL DECEMBER 2021 (YTD)</b>	<b>SAVINGS</b>
Advertisement&Marketing	3 366 300	1 683 150	1 099 075	584 075
Catering Services	1 083 400	541 700	444 985	96 715
Entertainment	740 000	370 000	-	370 000
Communications:SMS Bulk Message Service	1 662 700	831 350	184 218	647 132
Consultants Sevices - Project Management (SAP)	42 000 000	21 000 000	40 951 727	(19 951 727)
Consultants Sevices - Other	25 145 800	12 572 900	4 693 765	7 879 135
Contracted services - Cleaning Services	7 462 400	3 731 200	4 429 750	(698 550)
Contracted services - Security	59 425 300	29 712 650	31 721 565	(2 008 915)
Legal Advice and Litigation	9 187 200	4 593 600	1 775 987	2 817 613
Travel and subsistence allowance	2 634 400	1 317 200	510 064	807 136
Vehicle hire for Public office bearers	150 100	75 050	48 100	26 950
<b>TOTAL</b>	<b>152 857 600</b>	<b>76 428 800</b>	<b>85 859 236</b>	<b>(9 430 436)</b>

**5. PROPOSED ADJUSTED BUDGET FOR CONSIDERATION IN FEBRUARY 2022**

Section 72 of the MFMA further requires once a mid-year review has been conducted that:

**“(3) *The accounting must, as part of the review-***

- (a) make recommendations as to whether an adjustments budget is necessary; and*
- (b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.”*

***As a result of the above, an adjusted budget is necessary and will be submitted to Council in February 2022. A recommendation has been included as follows:***

***“as a result of the Mid-Year Budget Report, a report dealing with the Adjustments Budget, in terms of Section 28 of the Municipal Finance Management Act be submitted to Council;”***

Furthermore, Council resolved in terms of CR 14968 dated 29 September 2021 **(RPT 171432)** as follows:

“ . . .

- 6. *Council approves the reduction of the capital budget by R152,6 million, exact detail can be found on **DMS 1485275**;*
- 7. *Council notes that to ensure compliance with National Treasury’s guidance on liquidity parameters the capital replacement reserves contribution for 2021/2022 capital budget will be reduced to R131,4 million and the draw down on Council’s approved borrowing will be increased to R374 million;*

...”

Therefore, from 29 September 2021 resolution mentioned above, plus the additional interventions from the Service Departments to improve the quality of service delivery in the City the following are the proposed changes.

## 5.1 Proposed Capital Budget

The table below represents Proposed 2021/22 Capital budget:

FUNCTION	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	INCREASE / (DECREASE)
	R	R	R
Air Transport	19 500 000	19 500 000	-
Community and Social Services	65 932 800	38 480 600	(27 452 200)
Energy Sources	83 598 100	164 447 700	80 849 600
Environmental Protection	4 400 700	2 400 700	(2 000 000)
Executive and Council	127 000	-	(127 000)
Finance and Administration	48 889 800	97 730 300	48 840 500
Planning and Development	48 878 500	2 457 300	(46 421 200)
Public Safety	1 111 000	811 900	(299 100)
Road Transport	127 793 700	121 426 800	(6 366 900)
Sport and Recreation	60 876 900	48 079 500	(12 797 400)
Waste Water Management	69 416 300	65 048 100	(4 368 200)
Water	300 442 600	265 709 400	(34 733 200)
	<b>830 967 400</b>	<b>826 092 300</b>	<b>(4 875 100)</b>

The total proposed 2021/22 Adjusted Capital budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	INCREASE / (DECREASE)
	R	R	R
Borrowing	226 138 200	374 000 000	147 861 800
Capital Replacement Reserve	431 873 700	279 134 800	(152 738 900)
Integrated Urban Development Grant	128 012 500	128 012 500	-
Government Grants - National	34 000 000	34 000 000	-
Government Grants - Provincial	10 943 000	10 943 000	-
<b>TOTAL</b>	<b>830 967 400</b>	<b>826 090 300</b>	<b>(4 877 100)</b>

## 5.2 Proposed Operating Budget

The Proposed Adjustment Budget 2021/22 Operating Expenditure figures are indicated below:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	INCREASE / (DECREASE)
	R	R	R
Employee related costs	1 084 038 100	1 089 699 400	5 661 300
Remuneration of Councillors	35 115 900	35 115 900	-
Debt Impairment	139 527 300	139 527 300	-
Depreciation and asset impairment	435 000 000	435 000 000	-
Finance Charges	69 027 500	69 036 900	9 400
Bulk Purchases - Electricity	1 242 092 300	1 242 092 300	-
Inventory consumed - Water	360 400 100	360 400 100	-
Inventory consumed - Materials	140 161 000	139 412 000	(749 000)
Contracted Services	316 498 400	311 740 600	(4 757 800)
Transfers and grants	14 597 400	14 316 900	(280 500)
Other Expenditure	293 288 300	293 654 900	366 600
Losses - Water Inventory (Note 1)	243 095 100	243 095 100	-
Losses - Other	-	-	-
Inventory consumed - Capitalisation (Note 2)	(459 599 600)	(459 599 600)	-
<b>TOTAL</b>	<b>3 913 241 800</b>	<b>3 913 491 800</b>	<b>250 000</b>

As can be seen from the Table above there are no major proposed expenditure increases keeping in line with NT's financial sustainability assessment in May 2021.

The Proposed Adjustment Budget 2021/22 Operating Revenue figures are indicated below:

REVENUE BY SOURCE	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	INCREASE / (DECREASE)
	R	R	R
Rates	617 377 500	617 377 500	-
Service Charges – Electricity revenue	1 790 122 900	1 790 122 900	-
Service Charges – Water revenue	469 985 800	469 985 800	-
Service Charges – Sanitation revenue	107 609 700	107 609 700	-
Service Charges – Refuse revenue	107 606 900	107 606 900	-
Rental of facilities and equipment	23 104 900	23 104 900	-
Interest earned – external investments	65 000 000	65 000 000	-
Interest earned – outstanding debtors	118 000	118 000	-
Fines, penalties and forfeits	57 082 200	57 082 200	-
Licences and permits	3 525 900	3 525 900	-
Agency services	6 179 400	6 179 400	-
Operating Transfers and Subsidies	441 913 500	441 913 500	-
Other Revenue	36 284 300	36 284 300	-
Gains - Employee related costs	36 876 100	36 876 100	-
<b>TOTAL REVENUE</b>	<b>3 762 787 100</b>	<b>3 762 787 100</b>	<b>-</b>

A summary of the above proposed adjustment operating budget is as follows:

DESCRIPTION	ADOPTED BUDGET 2021/2022	PROPOSED ADJUSTED BUDGET 2021/2022	INCREASE / (DECREASE)
	R	R	R
Revenue	3 762 787 100	3 762 787 100	-
Expenditure	3 913 241 800	3 913 491 800	250 000
<b>Operating Surplus/(Deficit)</b>	<b>(150 454 700)</b>	<b>(150 704 700)</b>	<b>(250 000)</b>



## 6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1509404**) 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**

### **7. 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 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 December 2017, the submission of this report commenced.

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical. The vacant position of the Accountant Demand that became vacant due to the medical boarding will be filled in the third quarter. The other two (2) positions that are due to the dismissal will be finalise after the outcome of the appeal process.

- **Internal Audit**

There was no Internal Audit for Quarter 2 of 2021/22 financial year.

- **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 was attended:

Nil

## DEMAND AND ACQUISITION MANAGEMENT

- Capturing of vendors on Council's database**

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Oct-21	23
Nov-21	44
Dec-21	11
	<b>78</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 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 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 AQ on DMS 1494974.**

- 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, prescribe 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 seven (7) deviations for the second quarter which amounts to R (Annexure AS - DMS 1494974):**

DEVIATIONS AS AT THE END OF QUARTER 1 ENDED 31 DECEMBER 2021						
DEPARTMENT	QUARTER 1		QUARTER 2		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
	No.	Value	No.	Value		
Corporate Services (CS)	1	237 200	1	163 164	02	400 364
Financial Services (FS)	1	598 886	-	-	01	598 886
Technical Services (TS)	3	44 060 471	2	4 641 918	05	48 702 388
Electricity and Energy Services (EES)	14	7 277 189	18	1 672 644	32	8 949 833
Office of the Municipal Manager	-	-	1	322 000	01	322 000
<b>Total</b>	<b>19</b>	<b>52 173 745</b>	<b>22</b>	<b>6 799 726</b>	<b>41</b>	<b>58 973 472</b>

## AWARDED TENDERS FOR THE SECOND QUARTER

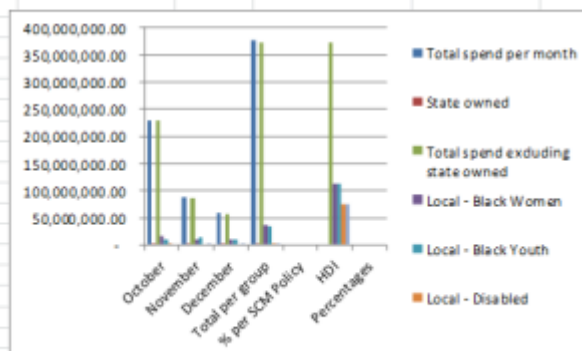
MONTH	NUMBER OF AWARDS	TOTAL
Oct-21	2	157 159 672
Nov-21	1	769 613
Dec-21	0	-
<b>TOTAL</b>	<b>3</b>	<b>157 929 285</b>

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
13	15	3	BSC 8	2
			BEC 13	2
			BAC 9	2

Number of Tenders where Validity Period were extended	
Number	Reasons
31	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 SCM performed on each category in Quarter 2:

	October	November	December	Total per group	% per SCM Policy	HDI	Percentages
Total spend per month	229,850,892.26	87,922,206.93	59,141,671.09	376,914,770.28			
State owned	1,371,754.12	1,151,241.30	1,448,469.14	3,971,464.56			
<b>Total spend excluding state owned</b>	<b>228,479,138.14</b>	<b>86,770,965.63</b>	<b>57,693,201.95</b>	<b>372,943,305.72</b>	<b>0%</b>	<b>372,943,305.72</b>	
Local - Black Women	17,287,248.89	10,480,059.27	9,339,453.40	37,106,761.56	30%	111,882,991.72	33%
Local - Black Youth	10,768,810.95	13,588,717.16	10,213,816.92	34,571,345.03	30%	111,882,991.72	31%
Local - Disabled	38,996.00	-	-	38,996.00	20%	74,588,661.14	0%
Military Veterans	-	199,000.00	80,000	279,000.00	20%	74,588,661.14	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:**

Nil

## CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 2	
Details	Number
Contracts Expiring in 6 months	54
Total Contracts Carried Over from 30/09/2021	144
Total Effective Contracts 2021/22 - Quarter 2	164
Total Contracts closed in 2021/22 - Quarter 2	23
Total Captured in Quarter 2	44
Number of Contracts amended using 15% and 20 threshold	0

- **Monthly Stock Count**

The stock count results for quarter 2 ending 31 December 2021 are as follows:

STOCK TAKE RECONCILLIATION FOR THE PERIOD ENDED 31 DECEMBER 2021	
DESCRIPTION	AMOUNT
Stock value before stocktake	27 790 946,02
Less: Stock issued during Stock Take - Fuel	-
Less: Stock issued during Stock Take - Other	-4 018,64
Stock Written off	
Cement	-3 785,72
110mm x 6m UPVC Class 9	-322,00
	27 782 819,66
Unfavourable variance	-125 001,40
Favourable variance	114 643,84
	27 772 462,10
<b>Stock value after stocktake</b>	27 772 462,10
<b>Variance</b>	-

## PART 3 - SUPPORTING DOCUMENTATION

### 8. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 December 2021.

### 9. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 December 2021.

### 10. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 December 2021.

### 11. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 31 December 2021.

### 12. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 December 2021.

### 13. 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 AN**.

Although the detailed Component 5 **is attached as Annexure AN**, 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 AN** each vote is illustrated in number order on the extreme left, vote detail of which is illustrated over 3 pages):

DEPARTMENT	ADOPTED BUDGET 2021/22	SUPPLEMENTS/ (RETURNS)	VIREMENTS	PROPOSED ADJUSTED BUDGET 2021/2022	ACTUAL YTD AT 31/12/2021	% OF PROPOSED ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	94 467 500	-	(62 087 300)	32 380 200	7 027 305	22%
CITY DEVELOPMENT	94 467 500	-	(62 087 300)	32 380 200	7 027 305	22%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	81 834 900	-	(23 680 700)	58 154 200	25 482 018	44%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	14 001 000	-	(7 649 100)	6 351 900	978 202	15%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	66 876 900	-	(15 789 600)	51 087 300	24 464 686	48%
COMMUNITY SERVICES - PROTECTION SERVICES	957 000	-	(242 000)	715 000	39 130	5%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	44 191 600	-	(309 000)	43 882 600	9 345 362	21%
CORPORATE SERVICES - ADMINISTRATION	38 059 600	-	(2 800 500)	35 259 100	4 881 421	14%
CORPORATE SERVICES - ICT	5 876 000	-	2 747 500	8 623 500	4 463 941	52%
CORPORATE SERVICES - HUMAN RESOURCES	256 000	-	(256 000)	-	-	0%
CHIEF FINANCIAL OFFICER	248 000	-	230 000	478 000	184 253	0%
FINANCIAL SERVICES	248 000	-	230 000	478 000	184 253	0%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	101 432 100	-	14 248 100	115 680 200	43 664 710	38%
ELECTRICAL SUPPLY SERVICES	101 432 100	-	14 248 100	115 680 200	43 664 710	38%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	508 739 300	-	(50 651 300)	458 088 000	138 478 595	30%
ENGINEERING SUPPORT SERVICES	37 000 000	-	(5 059 800)	31 940 200	7 580 722	24%
TRANSPORT, ROADS AND STORMWATER	163 996 700	-	(20 718 700)	143 278 000	48 929 096	34%
WATER AND SANITATION	307 742 600	-	(24 872 800)	282 869 800	81 968 777	29%
OFFICE OF THE MUNICIPAL MANAGER	54 000	-	(54 000)	-	-	0%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	54 000	-	(54 000)	-	-	0%
TOTAL CAPITAL BUDGET	830 967 400	-	(122 304 200)	708 663 200	224 182 244	32%

#### 14. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 December 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**).

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

Refer to **DMS 1509574** (**Annexure AR**).

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

#### 16. **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 AT (DMS 1494974)** 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
DK	Waste Water Treatment	D/DK5BA1.001	4400003900	IE:CS:Contractor:Maintenance of Unspecified Assets	-327 500,00
DS	Revenue and Expenditure	D/DS7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	-627 845,56
AL	Electricity: Distribution	D/AL3BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	-295 961,87
DJ	Storm Water Management	D/DJ5BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	-58 594,61
BT	Housing	D/BT07A1.001	4400004500	IE:CS:Contr:Safeguard and Security	-56 722,49
CR	Road and Traffic Regulation	D/CR7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	-51 318,87
BJ	Training and Industrial Relations	W/BJ7BA1.024	4450000000	IE:Inventory Consumed:Consumab:Standard Rated	-31 457,83
CT	Community Parks (including Nurseries)	D/CT7BA1.001	4450000000	IE:Inventory Consumed:Consumab:Standard Rated	-24 800,01
AL	Electricity: Distribution	M/AL3BA1.016	4450000300	IE:Inventory Consumed:Materials and Supplies	-180 152,84
BQ	Supply Chain Management	D/BQZZA1.001	4450000300	IE:Inventory Consumed:Materials and Supplies	-50 841,23
AC	Halls	D/AC7BA1.001	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	-451,78
DC	Solid Waste Removal	D/DC4BA1.001	4500007700	IE:Op Cost:Uniform and Protective Clothing PPE	-37 990,95
BJ	Training and Industrial Relations	W/BJ7BA1.024	4500007700	IE:Op Cost:Uniform and Protective Clothing PPE	-186,00
<b>TOTAL</b>					<b>-1 743 824,04</b>

This unforeseeable and unavoidable expenditure needs to be condoned in terms of section 29 (3) and will be regularised in the 2021/22 adjusted budget accordingly. Departments need to identify savings to fund the over-expenditure and also cater for rest of the financial year's expenditure. This is captured accordingly in terms of recommendation 5.

***“(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:”***

R35 402 945,04 (NPA vehicle licence pay over).

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

Nil

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

R1 086 087,93 (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 DEPARTMENTS:**

### **ELECTRICAL AND ENERGY SERVICES**

Scorpio substation is situated in Richards Bay and is supplying some of Council's key customers including Foskor. The substation comprises of 3x 132/11kV 30MVA transformer and 11kV switching room that housed MV switchgears. There were two transformers that were operational including all MV switchgears, the third transformer is still with service provider for strip and quote. The total capacity of the substation was sufficient to supply the existing customers with N-1 contingency.

On 26 September 2021, the Scorpio substation 11kV board had an internal fault that resulted in total burnt down of the whole board and the switching room and this caused power loss to NCT Forest Corp, Bay fibre, CTC, Grindrod and Foskor. At the time of the fault, Transformer no.1 was taking load.

The above has cause long extended power outage to the key customers and revenue loss to the City and therefore needed to be attended as a matter of urgency. The substation is currently operating with only one transformer and this posing a risk to the customers. The service provider has appointed and SLA finalized.

Due to urgent solution to have the reliable supply to affected customers and also to safeguard Council's income revenue, additional funds are therefore required in the adjustment budget to implement permanent solution.

**RECOMMENDATION 6 ADDED**

**COMMENTS OF THE CHIEF FINANCIAL OFFICER**

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

With regards the proposed amendments to for the imminent Adjustments Budgets, a common theme on all these interventions is to build in redundancy or spare capacity in these critical service delivery assets.

The CFO would like Council to support the administration in this endeavour to improve the quality of service delivery.

It is very clear that due to the risk of down time for replacement, refurbishment and standard maintenance on assets of the Municipality, a mitigating strategy is to work towards building spare capacity and redundancy so that within a very short space of time or immediately service delivery continues without interruption.

**RECOMMENDED THAT:**

1. the Mid-Year Budget Report as at 31 December 2021 be noted;
2. the report be submitted to both the National Treasury and Provincial Treasury as stipulated in Section 72(1)(b) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
3. as a result of the Mid-Year Budget Report, a report dealing with the Adjustments Budget, in terms of Section 28 of the Municipal Finance Management Act be submitted to Council;
4. the financial position of the uMhlathuze Municipality as at 31 December 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 1509404)** including the quarterly requirements in terms of Section 52(d) be noted;
5. the amount of **R1 743 824,04 (part - 4 other legislative requirements - Section 15 (b) unforeseeable and unavoidable expenditure)**, be condoned in terms of Section 29 (3) and will be regularised in the 2021/22 adjusted budget accordingly; and
6. **Administration develops an action plan based on DMS 1510591 per department for implementation.**