

15438

FINANCIAL REPORTING AS AT 30 APRIL 2022

This report is submitted simultaneously to the Financial Services Portfolio Committee, Executive Committee and Council.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 April 2022 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

| NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | |
|---|--|--|
| GOALS | OBJECTIVES | STRATEGIES |
| 5.1 Sound Financial and Supply Chain Management | 5.1.1 Compliance with financial legislation and policies | 5.1.1.1 GRAP compliance |
| | | 5.1.1.2 mSCOA compliant |
| | | 5.1.1.3 Review of all financial related policies |
| | | 5.1.1.4 Compliance with all MFMA and related local government financial legislation |
| | 5.2.1 Sustainable Financial and supply chain Management | 5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters |
| | | 5.2.1.2 Asset Accounting Management |
| | | 5.2.1.3 Accurate and timeous billing and receipting of revenue |
| | | 5.2.1.4 Apply Adequate Internal controls |
| | | 5.2.1.5 Demand and acquisition management |
| | | 5.2.1.6 Contracts and Logistics management |
| | | 5.2.1.7 Apply adequate financial management methodologies |
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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 ten (10) working days after the end of each month to the Mayor and the relevant Provincial Treasury, a statement in the **prescribed format** on the state of the Municipality's budget.

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) *Projections for each month of-*
 - (i) *Revenue to be collected, by source; and*
 - (ii) *Operational and capital expenditure, by vote.”*

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of April 2022 is included under **Annexures AA and AB (DMS 1530463)**.

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PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF APRIL 2022

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 April 2022, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in February 2022. 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 April 2022 (year to date actual) shows a surplus of R22,1 million. The performance in this area is **Acceptable**.

Capital Budget

Council is in the fourth quarter of the financial year and capital expenditure is low at R472,2 million (56,59%). This is based on the Adjustment Budget of R834,5 million. Expenditure is expected to rise as the year progresses. The performance in this area is **Not Acceptable**. Although overall capex spend is poor, a positive is that there is a 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 2.10:1 (581 120/277 320). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Good**.

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. **EXECUTIVE SUMMARY**

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

3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 30 April 2022:

| DESCRIPTION | ADJUSTED BUDGET 2021/2022 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUAL APRIL 2022 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|------------------------------------|---------------------------------|--------------------------------------|-------------------------------|--|
| | R | R | R | % |
| Revenue | 3 705 717 300 | 2 990 257 323 | 2 948 672 683 | 98,61% |
| Expenditure | 3 856 422 000 | 3 028 000 052 | 2 926 529 927 | 96,65% |
| Operating Surplus/(Deficit) | (150 704 700) | (37 742 729) | 22 142 756 | |

Although Council approved a deficit adjusted budget for the 2021/22 financial year, every effort is being made from the Administration and support from Council to turn this around into reducing the deficit, but ideally making a surplus

3.2 **Cash Flow Situation**

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2.10:1 (581 120/277 320). Although this cash coverage is also an indication of underspending on both Capital and Operating Budgets.

3.3 Grants Balances

| DESCRIPTION OF GRANT | ADOPTED GRANTS BUDGET 2021/22 | AMOUNT RECEIVED AS AT 30/04/2022 | DIFFERENCE | ACTUAL EXPENDITURE AS AT 30/04/2022 | % EXPENDITURE TO AMOUNT RECEIVED | % EXPENDITURE TO TOTAL | COMMENTS |
|--|--|--|------------------|---|---|------------------------------|---|
| NATIONAL TREASURY | | | | | | | |
| Equitable Share | 416 124 000 | 416 124 000 | - | 346 770 000 | 83% | 83% | 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 | 130 750 000 | 4 000 000 | 96 311 149 | 74% | 71% | 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 | - | 2 055 673 | 84% | 84% | 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 | - | 25 843 628 | 86% | 86% | 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 | 3 417 000 | - | 2 569 328 | 75% | 75% | 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 | 4 000 000 | - | 1 825 115 | 46% | 46% | 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. |
| TOTAL NATIONAL TREASURY GRANTS | 590 741 000 | 586 741 000 | 4 000 000 | 475 374 893 | 81% | 80% | |

| DESCRIPTION OF GRANT | ADOPTED GRANTS BUDGET 2021/22 | AMOUNT RECEIVED AS AT 30/04/2022 | DIFFERENCE | ACTUAL EXPENDITURE AS AT 30/04/2022 | % EXPENDITURE TO AMOUNT RECEIVED | % EXPENDITURE TO TOTAL | COMMENTS |
|--|--|--|------------------|---|---|------------------------------|--|
| PROVINCIAL TREASURY | | | | | | | |
| Provincialisation of Libraries | 9 136 000 | 9 136 000 | - | 27 545 742 | 302% | 302% | 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 | - | 1 589 694 | 61% | 61% | 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) | 14 596 042 | 297% | 1210% | 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 | - | 3 063 886 | 1362% | 1362% | 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 | 7 295 333 | 3 647 667 | 6 751 581 | 93% | 62% | This grant is for capital to help build sports facilities and develop sports and recreation, |
| TOTAL PROVINCIAL TREASURY GRANTS | 24 128 000 | 24 187 208 | (59 208) | 53 546 945 | 221% | 222% | |
| | | | | | | | |
| TOTAL GRANTS AND SUBSIDIES | 614 869 000 | 610 928 208 | 3 940 792 | 528 921 838 | 87% | 86% | |

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 April 2022:

| FUNCTION | ADJUSTED BUDGET 2021/2022 | ACTUAL APRIL 2022 (YTD) | % OF ADJUSTED BUDGET SPENT |
|-------------------------------|--|--|---|
| | R | R | % |
| Finance and Administration | 97 730 300 | 56 053 434 | 57,36% |
| Community and Social Services | 38 480 600 | 10 321 695 | 26,82% |
| Energy Sources | 163 887 700 | 86 786 660 | 52,95% |
| Environmental Protection | 2 400 700 | - | 0,00% |
| Air Transport - Air port | 19 500 000 | - | 0,00% |
| Planning and Development | 2 457 300 | 42 630 | 1,73% |
| Public Safety | 811 900 | 228 697 | 28,17% |
| Road Transport | 121 426 800 | 83 810 399 | 69,02% |
| Sport and Recreation | 48 079 500 | 28 602 029 | 59,49% |
| Waste Management | | 712 936 | 0,00% |
| Waste Water Management | 65 046 100 | 27 160 208 | 41,76% |
| Water | 274 709 400 | 178 505 011 | 64,98% |
| | 834 530 300 | 472 223 701 | 56,59% |

| SOURCE OF FUNDING | ADJUSTED BUDGET 2021/2022 | ACTUAL APRIL 2022 (YTD) | % OF ADJUSTED BUDGET SPENT |
|------------------------------------|--|--|---|
| | R | R | % |
| Borrowing | 373 700 000 | 220 000 235 | 58,87% |
| Capital Replacement Reserve | 288 434 800 | 109 879 768 | 38,10% |
| Integrated Urban Development Grant | 128 012 500 | 108 181 963 | 84,51% |
| Government Grants - National | 33 440 000 | 27 249 654 | 81,49% |
| Government Grants - Provincial | 10 943 000 | 6 912 081 | 63,16% |
| TOTAL | 834 530 300 | 472 223 701 | 56,59% |

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 April 2022:

| EXPENDITURE BY TYPE | ADJUSTED BUDGET 2021/2022 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUAL APRIL 2022 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|---|---------------------------------|--------------------------------------|-------------------------------|--|
| | R | R | R | % |
| Employee related costs | 1 070 365 500 | 849 550 253 | 812 865 004 | 95,68% |
| Remuneration of Councillors | 35 115 900 | 27 227 566 | 24 654 798 | 90,55% |
| Debt Impairment | 128 584 100 | 107 153 417 | 107 153 417 | 100,00% |
| Depreciation and asset impairment | 400 000 000 | 333 333 300 | 333 333 300 | 100,00% |
| Finance Charges | 67 031 600 | 55 859 700 | 55 859 700 | 100,00% |
| Bulk Purchases - Electricity | 1 219 002 000 | 971 908 073 | 927 409 462 | 95,42% |
| Inventory consumed - Water | 360 400 100 | 300 333 417 | 300 088 023 | 99,92% |
| Inventory consumed - Materials | 140 690 500 | 117 242 083 | 92 845 364 | 79,19% |
| Contracted Services | 342 263 900 | 218 355 569 | 218 172 100 | 99,92% |
| Transfers and grants | 14 216 900 | 10 372 120 | 7 374 160 | 71,10% |
| Other Expenditure | 300 510 300 | 225 057 851 | 235 093 816 | 104,46% |
| Losses - Water Inventory (Note 1) | 243 095 100 | 198 984 952 | 168 022 521 | 84,44% |
| Inventory consumed - Capitalisation (Note 2) | (464 853 900) | (387 378 250) | (356 341 738) | 91,99% |
| TOTAL | 3 856 422 000 | 3 028 000 052 | 2 926 529 927 | 96,65% |

The above table represents operating expenditure per category as at 30 April 2022.

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 resulted in the payment of a once-off non-pensionable cash allowance which has been paid in April 2022. This allowed for provision on the 2021/22 Adjusted Budget. This amounted to R7,4 million.

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 of actual volumes of water, purchased, produced, sold and lost.

The Gross Water Loss for the month of April 2022 stands at 36% amounting to R168 million of the total actual water inventory of R468 million as at 30 June 2022. See table below:

| Water Inventory - in Rands | | | | | | |
|---|--------------------|--------------------|-------------------|----------------------|--------------------|-------------------|
| Water Inventory | Adjusted Budget | | | Year to Date Actuals | | |
| | Total | Potable | Clarified | Total | Potable | Clarified |
| | R | R | R | R | R | R |
| Output | | | | | | |
| Inventory consumed - Water Billed (Authorised) | 354 340 900 | 333 488 500 | 20 852 400 | 297 134 934 | 282 925 670 | 14 209 263 |
| Inventory consumed - Water Unbilled (Authorised) | 6 059 200 | 5 826 500 | 232 700 | 2 953 090 | 2 809 440 | 143 650 |
| Total - Inventory consumed - Water | 360 400 100 | 339 315 000 | 21 085 100 | 300 088 023 | 285 735 110 | 14 352 913 |
| Loss - Water Inventory | 243 095 100 | 240 928 300 | 2 166 800 | 168 022 521 | 163 668 431 | 4 354 090 |
| Total Water Inventory (Consumed plus losses) | 603 495 200 | 580 243 300 | 23 251 900 | 468 110 544 | 449 403 541 | 18 707 003 |
| Actual Percentage of Loss - Water Inventory to Total Water Inventory as at 30 April 2022 | | | | 36% | | |

3.6 Revenue per Category

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

| REVENUE BY SOURCE | ADJUSTED BUDGET 2021/2022 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUAL APRIL 2022 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|--|---------------------------------|--------------------------------------|-------------------------------|--|
| | R | R | R | % |
| Rates | 617 377 500 | 509 094 319 | 478 659 147 | 94,02% |
| Service Charges – Electricity revenue | 1 733 294 500 | 1 345 841 009 | 1 335 087 098 | 99,20% |
| Service Charges – Water revenue | 470 144 100 | 391 786 750 | 428 028 145 | 109,25% |
| Service Charges – Sanitation revenue | 107 609 700 | 89 674 750 | 90 165 034 | 100,55% |
| Service Charges – Refuse revenue | 107 655 900 | 90 576 958 | 83 277 246 | 91,94% |
| Rental of facilities and equipment | 19 241 100 | 15 581 603 | 4 856 264 | 31,17% |
| Interest earned – external investments | 65 000 000 | 56 191 504 | 54 266 867 | 96,57% |
| Interest earned – outstanding debtors | 126 000 | 121 300 | 111 599 | 92,00% |
| Fines, penalties and forfeits | 57 635 900 | 48 029 917 | 7 633 720 | 15,89% |
| Licences and permits | 3 525 900 | 2 938 250 | 691 500 | 23,53% |
| Agency services | 6 179 400 | 5 772 246 | 4 190 561 | 72,60% |
| Operating Transfers and Subsidies | 444 066 500 | 406 710 847 | 434 781 731 | 106,90% |
| Other Revenue | 36 984 700 | 27 937 871 | 26 923 771 | 96,37% |
| Gains - Employee related costs | 36 876 100 | - | - | 0,00% |
| TOTAL OPERATING REVENUE | 3 705 717 300 | 2 990 257 323 | 2 948 672 683 | 98,61% |

The above table represents operating revenue per category as at 30 April 2022.

As can be seen from the table above, actual revenue to date as compared to budget revenue is lower than anticipated.

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;
- Water network challenges affecting water consumption; and
- Mondi shutdown which was not communicated with the municipality.

Gains – Employee related costs: This revenue item is included to comply with the accounting standard on employee related costs (GRAP 25). The actual amounts are determined through an actuarial valuation of the employee benefits i.e. post medical and long service benefits which is performed annually. Once the actuarial valuation has been finalised, actual amounts will be processed in the system.

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

| DETAILS | ADJUSTED BUDGET 2021/22 | PRO-RATA ADJUSTED BUDGET (YTD) | ACTUALS APRIL 2022 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|---|-------------------------------|--------------------------------------|--------------------------------|---|
| | R | R | R | |
| Fines:Illegal Connections | 1 398 400 | 1 165 333 | 522 486 | 45% |
| Fines:Law Enforcement | 2 700 | 2 250 | - | 0% |
| Fines:Overdue Books | 17 000 | 14 167 | 3 212 | 23% |
| Fines:Pound Fees | 100 | 83 | - | 0% |
| Fines:Traffic:Court Fines | 391 500 | 326 250 | - | 0% |
| Fines:Traffic:Municipal | 50 314 500 | 41 928 750 | 3 770 145 | 9% |
| Forfeits:Deposits | 1 114 400 | 928 667 | 1 033 695 | 111% |
| Fines:Motor Vehicle Licence | 1 100 | 917 | - | 0% |
| Fines, Penalties and Forfeits:Penalties:Property Rates | 4 396 200 | 3 663 500 | 2 304 183 | 63% |
| TOTAL | 57 635 900 | 48 029 917 | 7 633 720 | 16% |

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 | Over 90 Days | Total |
|---|--------------------|------------------|--------------------|
| | R | R | R |
| Bulk Electricity | 89 965 753 | - | 89 965 753 |
| Bulk Water | 14 670 892 | - | 14 670 892 |
| PAYE deductions | 13 220 051 | - | 13 220 051 |
| Pensions / Retirement deductions | 12 019 498 | - | 12 019 498 |
| Trade Creditors | 280 854 | 1 099 362 | 1 380 216 |
| Other | 7 600 | - | 7 600 |
| Total By Customer Type | 130 164 648 | 1 099 362 | 131 264 011 |

The above table represents the ageing of creditors outstanding as at 30 April 2022. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of April 2022 is **27 days**. It must be noted that amounts over 90 days are invoices that were accrued due to year-end cut-off however final sign off and verification still needed to be done by User Departments.

3.8 Debtors Report

FINANCIAL REPORTING ON INCOME / DEBT

| DEBTORS AGE ANALYSIS BY CATEGORY | 0-30 DAYS | 31-60 DAYS | 61-90 DAYS | OVER 90 DAYS | TOTAL |
|-------------------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| Organs of State | 185 010 530 | 26 613 300 | 11 508 952 | 242 524 176 | 465 656 958 |
| Business | 171 359 874 | 8 868 309 | 2 658 209 | 69 596 021 | 252 482 412 |
| Households | 64 925 480 | 7 398 772 | 10 432 710 | 185 853 608 | 268 610 571 |
| Other | 546 053 | 244 403 | 83 787 | 2 168 023 | 3 042 266 |
| Total | 421 841 936 | 43 124 784 | 24 683 658 | 500 141 828 | 989 792 207 |
| % | 42,62% | 4,36% | 2,49% | 50,53% | |

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

Debt Collection Rate

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

| MONTH TO MONTH | | | | | | |
|----------------|-----------------|--|-------------------|-------------------------------|----------------------------|----------------|
| RATIO | FORMULA | NORM / RANGE | INPUT DESCRIPTION | Month | DATA INPUTS AND RESULTS | INTERPRETATION |
| 1 | Collection Rate | (Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100 | 95% | | | |
| | | | | Gross Debtors closing balance | Apr-22 | 108,30% |
| | | | | Gross Debtors opening balance | Mar-22 | 989 544 494 |
| | | | | Bad debts written Off | Apr-22 | 964 977 609 |
| | | | | Billed Revenue | Apr-22 | - |
| | | | | | | 295 946 877 |

Please refer to page 5 of
MFMA Circular No. 71

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

| ROLLING 12 MONTH | | | | | | |
|------------------|-----------------|--------------|-------------------------------|-----------------------|-------------------------|--|
| RATIO | FORMULA | NORM / RANGE | INPUT DESCRIPTION | | DATA INPUTS AND RESULTS | INTERPRETATION |
| 1 | Collection Rate | 95% | | | 101,73% | Please refer to page 5 of MFMA Circular No. 71 |
| | | | Gross Debtors closing balance | Apr-22 | 989 544 494 | |
| | | | Gross Debtors opening balance | May-21 | 850 361 998 | |
| | | | Bad debts written Off | May 2021 - April 2022 | 55 483 909 | |
| | | | Billed Revenue | May 2021 - April 2022 | 4 845 939 936 | |

| ROLLING 12 MONTH | | | | | | |
|------------------|------------------|--------------|-------------------------------|-----------------------|-------------------------|--|
| RATIO | FORMULA | NORM / RANGE | INPUT DESCRIPTION | | DATA INPUTS AND RESULTS | INTERPRETATION |
| 1 | Collection Rate | 95% | | | 101,73% | Please refer to page 5 of MFMA Circular No. 71 |
| | | | Gross Debtors closing balance | Apr-22 | 989 544 494 | |
| | | | Gross Debtors opening balance | May-21 | 850 361 998 | |
| | | | Bad debts written Off | May 2021 - April 2022 | 55 483 909 | |
| | | | Billed Revenue | May 2021 - April 2022 | 4 845 939 936 | |
| 2 | Net Debtors Days | 30 days | | | 67,51 days | Please refer to page 6 of MFMA Circular No. 71 |
| | | | Gross debtors | Apr-22 | 989 544 494 | |
| | | | Bad debts Provision | 2022 / 2023 | 93 212 800 | |
| | | | Billed Revenue | May 2021 - April 2022 | 4 845 939 936 | |

➤ Top 10 Debtors

| Top 10 Debtors With Debt Older Than 90 Days - Any Category/Classification | | | | | | |
|---|----------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|
| Debtors Number | Category | 0-30 DAYS | 31-60 DAYS | 61-90 DAYS | OVER 90 DAYS | TOTAL |
| 1088329 | Organ of State | 12 405 684,92 | 9 304 466,35 | 1 708 962,79 | 67 423 290,43 | 90 842 404,49 |
| 501543 | Organ of State | 25 799 010,81 | - | - | 54 192 988,23 | 79 991 999,04 |
| 531788 | Organ of State | 0,34 | 0,20 | 0,20 | 47 714 585,19 | 47 714 585,93 |
| 1854904 | Business | - | - | - | 22 377 589,88 | 22 377 589,88 |
| 551583 | Organ of State | 2 172 541,13 | - | 996 419,00 | 8 855 358,06 | 12 024 318,19 |
| 1610626 | Business | - | - | - | 6 106 822,80 | 6 106 822,80 |
| 568393 | Organ of State | 3 577 904,74 | 2 873 081,03 | 5 267 036,56 | 5 359 052,58 | 17 077 074,91 |
| 2289941 | Business | - | - | - | 5 044 907,12 | 5 044 907,12 |
| 416383 | Business | 143 319,90 | - | 214 979,85 | 4 354 827,84 | 4 713 127,59 |
| 1632348 | Organ of State | 765 618,77 | 542 007,61 | 399 411,01 | 5 218 711,85 | 6 925 749,24 |
| Total | | 44 864 080,61 | 12 719 555,19 | 8 586 809,41 | 226 648 133,98 | 292 818 579,19 |

3.9 Employee Debt / Councillor Debt

At the previous Financial Services Portfolio Committee meeting, Councillors requested that Officials' and Councillors' debt be submitted to Council.

Employees' debt amounts to R512 436,34 as per **Annexure AD - DMS 1530463**.

Councillors' debt amounts to R5 075,00 as per **Annexure AC - DMS 1530463**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1530464**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

5. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) (**DMS 1530464**) for the month ended 30 April 2022.

6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) (**DMS 1530464**) for the month ended 30 April 2022.

7. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) (**DMS 1530464**) for the month ended 30 April 2022.

8. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) (**DMS 1530464**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) (**DMS 1530464**) for the month ended 30 April 2022.

9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) (**DMS 1530464**) for the month ended 30 April 2022.

10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 30 April 2022:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**) (**DMS 1530464**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**) (**DMS 1530464**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**) (**DMS 1530464**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**) (**DMS 1530464**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**) (**DMS 1530464**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**) (**DMS 1530464**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**) (**DMS 1530464**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**) (**DMS 1530464**).

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1530932** (**Annexure AE**).

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

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

COMMENTS OF THE CHIEF FINANCIAL OFFICER

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

COMMENTS OF THE MUNICIPAL MANAGER

The report is noted by the Office of the Municipal Manager.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 30 April 2022, 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 1530464)**, be noted.