

ITEM 372

FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (INTERIM)

This report served before the Executive Committee and Council on 27 July 2022. The recommendations were supported.

PURPOSE

1. To submit to Council, the financial position of the uMhlathuze Municipality for the quarter ended 30 June 2022, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). The monthly and quarterly requirements in terms of Section 71 and Section 52(d) respectively are also included in this report.
2. To disclose to Council, the cost containment savings as required in terms of Regulation 15 of Municipal Cost Containment Regulations (MCCR).

IDP STRATEGY AND OBJECTIVES

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

BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AA - DMS 1526793**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1526793**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AJ - DMS 1526793**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AK and AL - DMS 1526793**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AM - DMS 1526793**).

DISCUSSION

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

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PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF JUNE 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 June 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. The detail of all the points highlighted by the Mayor is included in the report.

Operational Budget

The monthly budget statement summary (Table C1) for the month of June 2022 (year to date actual) shows a deficit of R306,4 million. It should be noted that part of the increased interim deficit is the over-expenditure that was approved by Accounting Officer amounting to R162,7 million (see details on 4.4). These over-expenditures came with no increase in actual revenue which on its own has a shortfall of R345 million from adjusted budget as it sits at 90,68% (see details on 3.6). This is a great concern in the City’s fiscals which requires carefully monitoring. The performance in this area is **Not Acceptable**.

Capital Budget

Council is at the end of the third quarter of the financial year and capital expenditure is low at R636,7 million (76,29%). This is based on the Proposed Adjustment Budget of R835 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 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 2,40:1 (665 072/277 320). 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 The following table represents an executive summary for the financial period ended 30 June 2022:

DESCRIPTION	ADJUSTED BUDGET 2021/2022	SYSTEM BUDGET (INCL OVER- EXPENDITURE)	ACTUAL JUNE 2022 (YTD)	% SYSTEM BUDGET SPENT
	R	R	R	%
Revenue	3 705 717 300	3 705 717 300	3 360 485 275	90,68%
Expenditure	3 856 422 000	4 019 135 100	3 666 926 481	91,24%
Operating Surplus/(Deficit)	(150 704 700)	(313 417 800)	(306 441 206)	

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.

However, due to slow economic recovery which has been caused by various challenges such as global pandemic COVID-19 which resulted in economic lockdown for a period of more than 12 months and looting that occurred in July 2021 which came with a lot of vandalism and damage to properties contributing direct to the city's revenue. This has resulted in loss of revenue and collection of billed revenue. This can be seen on 3.6 Revenue by source below.

It also be noted that since the Council approved adjusted budget in February 2022 there has been quite a significant number of over-expenditure requests that had not been budgeted for nor foreseen. Although these over-expenditures are justifiable, departments should budget realistically and use their allocated budget to achieve value. Departments are requested not to commit Council to fruitless and wasteful expenditure. The total over-expenditure that has been processed since March 2022 to date amounts to R162,7 million (see details on 4.4).

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 2,40:1 (665 072/277 320).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2021/22	AMOUNT RECEIVED AS AT 30/06/2022	ACTUAL EXPENDITURE AS AT 30/06/2022	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	416 124 000	416 124 000	416 124 000	100%	100%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services.
Intergrated Urban Development Grant-IUDG	134 750 000	130 750 000	131 268 432	100%	100%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 450 000	2 450 000	2 450 000	100%	100%	Spending is in accordance with the support plan submitted to National Treasury for the grant.
Water services infrastructure grant	30 000 000	40 000 000	34 728 668	87%	87%	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	3 417 000	100%	100%	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	2 923 256	73%	73%	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	596 741 000	590 911 357	99%	100%	

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2021/22	AMOUNT RECEIVED AS AT 30/06/2022	ACTUAL EXPENDITURE AS AT 30/06/2022	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	9 136 000	9 136 000	33 366 995	365%	365%	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	2 618 000	100%	100%	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	17 448 478	355%	1447%	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	3 677 121	1634%	1634%	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	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	63 862 175	264%	265%	
TOTAL GRANTS AND SUBSIDIES	614 869 000	620 928 208	654 773 532	105%	106%	

3.4 Capital Budget Summary

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

FUNCTION	ADJUSTED BUDGET 2021/2022	ACTUAL JUNE 2022 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	97 730 300	76 173 895	77,94%
Community and Social Services	38 480 600	12 206 627	31,72%
Energy Sources	163 887 700	125 199 036	76,39%
Environmental Protection	2 400 700	-	0,00%
Air Transport - Air port	19 500 000	-	0,00%
Planning and Development	2 457 300	226 530	9,22%
Public Safety	811 900	228 697	28,17%
Road Transport	121 426 800	109 157 710	89,90%
Sport and Recreation	48 079 500	34 380 519	71,51%
Waste Management	-	712 936	0,00%
Waste Water Management	65 046 100	34 164 577	52,52%
Water	274 709 400	244 242 998	88,91%
	834 530 300	636 693 525	76,29%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2021/2022	ACTUAL JUNE 2022 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	373 700 000	273 880 801	73,29%
Capital Replacement Reserve	288 434 800	188 814 081	65,46%
Integrated Urban Development Grant	128 012 500	132 718 005	103,68%
Government Grants - National	33 440 000	33 764 624	100,97%
Government Grants - Provincial	10 943 000	7 516 014	68,68%
TOTAL	834 530 300	636 693 525	76,29%

3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2021/2022	SYSTEM BUDGET (INCL OVER- EXPENDITURE)	ACTUAL JUNE 2022 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 070 365 500	1 077 691 300	979 063 032	90,85%
Remuneration of Councillors	35 115 900	35 115 900	29 953 804	85,30%
Debt Impairment	128 584 100	128 584 100	128 584 100	100,00%
Depreciation and asset impairment	400 000 000	400 000 000	400 000 000	100,00%
Finance Charges	67 031 600	67 031 600	67 031 600	100,00%
Bulk Purchases - Electricity	1 219 002 000	1 219 002 000	1 148 605 056	94,23%
Inventory consumed - Water	360 400 100	360 400 100	386 951 083	107,37%
Inventory consumed - Materials	140 690 500	147 077 500	140 854 479	95,77%
Contracted Services	342 263 900	438 925 300	310 605 635	70,77%
Transfers and grants	14 216 900	12 410 200	9 205 714	74,18%
Other Expenditure	300 510 300	354 655 900	317 696 393	89,58%
Losses - Water Inventory (Note 1)	243 095 100	243 095 100	246 726 907	101,49%
Inventory consumed - Capitalisation (Note 2)	(464 853 900)	(464 853 900)	(498 351 324)	107,21%
TOTAL	3 856 422 000	4 019 135 100	3 666 926 481	91,24%

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

Note 1 and 2 above:

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 inventory is correctly reflected.

At the previous Financial Services Portfolio Committee, the Chief Financial Officer indicated that he will provide further information on the new Water Inventory reporting requirements, below table refers:

Water Inventory - in Rands									
Water Inventory	Original Budget			Year to Date Actuals			Full Year Forecast		
	Total	Potable	Clarified	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R	R	R	R
Output									
Inventory consumed - Water Billed (Authorised)	354 340 900	333 488 500	20 852 400	383 137 964	365 216 348	17 921 615	354 340 900	333 488 500	20 852 400
Inventory consumed - Water Unbilled (Authorised)	6 059 200	5 826 500	232 700	3 813 120	3 632 347	180 773	6 059 200	5 826 500	232 700
Total - Inventory consumed - Water	360 400 100	339 315 000	21 085 100	386 951 084	368 848 695	18 102 389	360 400 100	339 315 000	21 085 100
Loss - Water Inventory	243 095 100	240 928 300	2 166 800	246 726 908	241 166 291	5 560 617	243 095 100	240 928 300	2 166 800
Total Water Inventory (Consumed plus losses)	603 495 200	580 243 300	23 251 900	633 677 991	610 014 986	23 663 006	603 495 200	580 243 300	23 251 900

Water Inventory - in Units (kl)									
Water Inventory	Original Budget			Year to Date Actuals			Full Year Forecast		
	Total	Potable	Clarified	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl	kl	kl	kl
Output									
Inventory consumed - Water Billed (Authorised)	32 090 229	27 328 220	4 762 009	31 899 470	28 019 463	3 880 006	32 090 229	27 328 220	4 762 009
Inventory consumed - Water Unbilled (Authorised)	530 596	477 461	53 135	318 995	280 195	38 801	530 596	477 461	53 135
Total - Inventory consumed - Water	32 620 825	27 805 681	4 815 144	32 218 465	28 299 658	3 918 807	32 620 825	27 805 681	4 815 144
Loss - Water Inventory	20 238 068	19 743 237	494 831	19 360 673	18 197 170	1 163 503	20 238 068	19 743 237	494 831
% Loss - Water Inventory	38,3%	41,5%	9,3%	37,5%	39,1%	22,9%	38,3%	41,5%	9,3%
Total Water Inventory (Consumed plus losses)	52 858 893	47 548 918	5 309 975	51 579 138	46 496 828	5 082 310	52 858 893	47 548 918	5 309 975

3.6 Revenue by Source

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2021/2022	ACTUAL JUNE 2022 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Rates	617 377 500	566 552 689	91,77%
Service Charges – Electricity revenue	1 733 294 500	1 560 355 638	90,02%
Service Charges – Water revenue	470 144 100	486 163 113	103,41%
Service Charges – Sanitation revenue	107 609 700	107 277 501	99,69%
Service Charges – Refuse revenue	107 655 900	102 227 817	94,96%
Rental of facilities and equipment	19 241 100	6 420 004	33,37%
Interest earned – external investments	65 000 000	34 790 589	53,52%
Interest earned – outstanding debtors	126 000	387 405	307,46%
Fines, penalties and forfeits	57 635 900	17 499 764	30,36%
Licences and permits	3 525 900	2 877 459	81,61%
Agency services	6 179 400	4 639 773	75,08%
Operating Transfers and Subsidies	444 066 500	437 499 892	98,52%
Other Revenue	36 984 700	33 793 631	91,37%
Gains - Employee related costs	36 876 100	-	0,00%
TOTAL OPERATING REVENUE	3 705 717 300	3 360 485 275	90,68%

The above table represents operating revenue by source as at 30 June 2022.

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

DETAILS	ADJUSTED BUDGET 2021/22	ACTUALS JUNE 2022 (YTD)	% ADJUSTED BUDGET SPENT
	R	R	
Fines:Illegal Connections	1 398 400	614 647	44%
Fines:Law Enforcement	2 700	-	0%
Fines:Overdue Books	17 000	3 380	20%
Fines:Pound Fees	100	10 090	10090%
Fines:Traffic:Court Fines	391 500	930	0%
Fines:Traffic:Municipal	50 314 500	6 315 033	13%
Forfeits:Deposits	1 114 400	8 038 195	721%
Fines:Motor Vehicle Licence	1 100	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	4 396 200	2 517 489	57%
TOTAL	57 635 900	17 499 764	30%

3.7 Creditors Report

Creditors Age Analysis by Category

Creditors Age Analysis By Customer Type	0 - 30 Days	Over 90 Days	Total
	R	R	R
Bulk Electricity	148 545 212	-	148 545 212
Bulk Water	18 370 962	-	18 370 962
PAYE deductions	-	-	-
Pensions / Retirement deductions	-	-	-
Trade Creditors	61 172 551	1 178 937	62 351 488
Auditor General	326 413	-	326 413
Other	314 097	-	314 097
Total By Customer Type	228 729 235	1 178 937	229 908 172

The above table represents the ageing of creditors outstanding as at 31 August 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 August 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

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	R1 099 362,00	Invoice in dispute as it relates to services for the former Ntambanana Municipality

3.8 Debtors Report

➤ Debtors Age Analysis by Category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	152 315 852	16 252 867	45 773 665	237 967 964	452 310 347
Business	138 368 676	9 275 971	5 462 199	69 903 393	223 010 239
Households	46 602 282	5 238 309	8 292 775	171 021 700	231 155 066
Other	908 001	307 109	360 005	2 571 390	4 146 505
Total	338 194 811	31 074 256	59 888 644	481 464 447	910 622 157
%	37,14%	3,41%	6,58%	52,87%	

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:

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

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%			134,63%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance	Jun-22	975 936 809	
				Gross Debtors opening balance	May-22	910 622 157	
				Bad debts written Off	Jun-22	29 739 962	
				Billed Revenue	Jun-22	274 470 617	

ROLLING 12 MONTH							
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION		DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate on Rolling 12 Month Calculation	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue x 100	95%			107,41%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance	Jun-22	975 936 809	
				Gross Debtors opening balance	Jul-21	772 927 095	
				Bad debts written Off	July 2021 - June 2022	29 739 962	
				Billed Revenue	July 2021 - June 2022	3 139 266 358	

➤ **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:

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

ROLLING 12 MONTH							
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION		DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days	(((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) x 365	30 days			102,63 days	Please refer to page 6 of MFMA Circular No. 71
				Gross debtors	Jun-22	975 936 809	
				Bad debts Provision	2021/2022	93 212 800	
				Billed Revenue	July 2021 - June 2022	3 139 266 358	

➤ **Top Ten Debtors**

TOP TEN DEBTORS FROM ALL CATEGORIES							
Debtor No	Account Group	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1088329	State Owned Entity	9 421 750,60	7 103 740,90	5 301 944,02	9 304 466,35	69 132 253,22	100 264 155,09
501543	State Owned Entity	8 230 193,18	-	25 799 010,81	-	54 192 988,23	88 222 192,22
531788	State Owned Entity	0,28	0,14	0,20	0,20	47 714 585,39	47 714 586,21
1854904	Private Business	-	-	-	-	22 377 589,88	22 377 589,88
568393	State Owned Entity	3 560 474,01	3 452 044,60	3 577 904,74	2 873 081,03	6 952 439,69	20 415 944,07
41840	State Owned Entity	18 126 358,94	0,01	-	-	-	18 126 358,95
551583	State Owned Entity	2 100 558,49	1 145 960,40	2 172 541,13	-	9 851 844,80	15 270 904,82
188345	State Owned Entity	10 098 454,72	-	-	-	39 889,35	10 138 344,07
144860	State Owned Entity	5 293 798,86	3 434 841,46	-	-	-	8 728 640,32
962262	State Owned Entity	3 745 782,73	1 716 307,49	3 046 792,43	-	-	8 508 882,65
TOTAL		60 577 371,81	16 852 895,00	39 898 193,33	12 177 547,58	210 261 590,56	339 767 598,28

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

Government Debt

The Top Ten (10) Government debtors are as follows:

Government Departments - Summary of ALL Debt							
Government Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	3 478 203	2 232 342	2 468 419	3 085 981	46 022	-1 880 267	9 430 700
Provincial	4 080 189	13 564 415	1 933 135	3 612 089	2 772 588	10 044 096	36 006 513
Government accounts in Dispute	0	0	0	0	0	2 102 802	2 102 802
National Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	3 455 943	2 222 394	2 468 419	3 085 924	45 593	1 064 223	12 342 497
Dept of Agriculture and Rural Development & land	22 260	9 948	0	56	429	638 044	670 737
Department of Water Affairs and Sanitation	0	0	0	0	0	-3 582 534	-3 582 534
	3 478 203	2 232 342	2 468 419	3 085 981	46 022	-1 880 267	9 430 700
Provincial Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	35 010	-297 339	23 819	25 343	-49 350	1 468 649	1 206 132
Education	742 113	456 335	293 024	1 327 990	152 387	2 839 004	5 810 854
Tvet Colleges	410 838	11 047 669	226 596	7 101	1 343	1 102 745	12 796 291
Human Settlement	61 865	-27 646	3 890	9 734	16 317	414 324	478 484
Department of Transport	181 119	208 751	116 883	97 431	177 859	112 551	894 593
Department of Health	2 603 011	2 113 934	1 267 055	2 143 050	2 474 033	4 106 825	14 707 907
Department of Social Welfare	46 233	62 711	1 868	1 439	0	0	112 251
	4 080 189	13 564 415	1 933 135	3 612 089	2 772 588	10 044 097	36 006 513
Other Organs of State	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	4 251 839	7 880 464	3 968 335	353 465	285 078	2 052 976	18 792 157
ESKOM	74 273	37 633	38 739	39 919	39 904	55 816	286 284
Ingonyama Trust Board	0	0	0	0	0	9 274 246	9 274 246
Telkom	529 433	-323	0	98	98	1 159	530 464
Foskor	712 393	26 010 251	3 465 521	3 591 381	2 886 557	8 613 048	45 279 151
SA Post Office	6 080	0	0	0	-18 497	0	-12 417
Richards Bay IDZ	2 606 029	25 925	25 922	4 261	0	0	2 662 137
Mhlathuze Water Board	5 229 063	19 754	0	0	0	47 740 489	52 989 306
King Cetshwayo District Municipality	6 394 275	15 057 437	9 076 118	34 665 921	10 420 880	138 581 174	214 195 805
	19 803 385	49 031 140	16 574 635	38 655 045	13 614 020	206 318 909	343 997 133
Grand Total	27 361 778	64 827 897	20 976 189	45 353 114	16 432 630	216 585 540	391 537 148

Government Debt Comments

The main issues on Government Debt remain the lack of available budget to the relevant government departments. The debt owing by government departments appear to be a long term issue that will require constant monitoring and intervention.

A dedicated team of officials are working on the Government debt to ensure that the debt remain as low as practically possible.

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

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

3.9 Employee Debt / Councillor Debt

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

Employees' debt amounts to R 478 417,26 as per **Annexure AO - DMS 1526793**.

Councillors' debt amounts to R 18 631,12 as per **Annexure AN - DMS 1526793**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES FOR ENTIRE MUNICIPALITY

4.1 LOSSES TO COUNCIL'S PROPERTY

The table below represents losses to Council's property for the period 1 April to 30 June 2022:

GLASS REPLACEMENT CLAIMS									
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	EXCESS	DAMAGE	CLL COST
11/12/2019	222021/69	Glass Replacement	V1426 - Driven by M Dube, glass was damaged by a stone that picked up by a passing truck	V1426 - NRB 77461	Esikhaleni	54	0,00	8 287,70	8 287,70
16/02/2022	222021/70	Glass Replacement	V1644 - Driven by Patrick Dlamini, glass was damaged by children allegedly throwing stones	V1644 - NRB 91124	Esikhaleni	465	0,00	5 520,00	5 520,00
01/08/2021	222021/71	Glass Replacement	V1404 - Driven M Nene, windscreen was chipped by a stone that picked up by a passing truck	V1404 - NRB 48988	Empangeni		0,00	3 220,00	3 220,00
							0,00	17 027,70	17 027,70

THEFT CLAIMS								
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	AREA	EXCESS	DAMAGE	CLL COST	
17/05/2022	222021/84	Theft	Sibongile Qulu's laptop was stolen from her vehicle whilst it was parked at the Boardwalk outside parking area	Richards Bay	2 500,00	32 676,33	2 500,00	
28/06/2022	222021/97	Theft	Roger Ngcobo's laptop was stolen from his home during a break-in	Richards Bay	2 500,00	32 676,33	2 500,00	
26/04/2022	222021/103	Theft	Cllr Dlamini's laptop was stolen from his vehicle alleged due to remote jamming	Richards Bay	2 500,00	32 676,33	2 500,00	
					7 500,00	98 028,99	7 500,00	

THEFT CLAIMS										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	V TYPE	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
25/05/2022	222021/86	Tyre Damage	V1607 - Driven by Fana Vidima - tyres were damaged on broken glasses that were on the cement area	V1607 - NRB 74185	Case TLB	Esikhaleni	I&TS - Roads & S/W	0,00	26 436,20	26 436,20
27/04/2022	222021/66	Vehicle Damage	V1433 driven by P Mthethwa was damaged when he collided with TP VW Polo NRB 84071 both drivers allege they were blinded by the sun	V1433 - NRB 85644	Ford Ranger	Esikhaleni	Water & Sanitation	0,00	113 336,27	113 336,27
03/02/2021	222021/74	Vehicle Damage	V 1443 - Driven by Thamasanqa Khumalo was scratched on the left side whilst parking	V1443 - NRB 87608		Richards Bay	Finance - Income	0,00	12 083,63	12 083,63
11/05/2022	222021/89	Vehicle Damage	V1492 - operated by Londokhule Makhunga was damaged when the crane on the truck swang to the side and hit it	V1492 - NRB 97028	Powerstar	Esikhaleni	I&TS - Roads & S/W	0,00	2 240,78	2 240,78
16/03/2022	222021/94	Vehicle Damage	V0430 operated by S Makgoba who noticed that the step of the water tanker was broken when he stepped onto it	V0430 - NRB 45257	Man Water Tanker	Esikhaleni	I&TS - Water & Sanit	0,00	36 522,01	36 522,01
								0,00	164 182,69	164 182,69

NOTES:

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PUBLIC LIABILITY CLAIMS								
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	3rd PARTY	AREA	EXCESS	DAMAGE	CLL COST
01/04/2022	222021/63	Public Liability	Nozipho Nala is claiming for damages to her vehicle allegedly caused by a light pole that fell on her vehicle - NRB 34773	Nozipho Nala - 084 926 2880 - NRB 34773	Esikhaleni	25 000,00	29 260,72	25 000,00
29/03/2022	222021/64	Public Liability	Hendrik Adam Viljoen is claiming for injuries, loss of income and pain and suffer allegedly caused when he fell into an open manhole	Hendrik Viljoen - 065 843 0176	Empangeni	25 000,00		
03/03/2022	222021/65	Public Liability	Israel Mlungwana is claiming for damages to his vehicle glass allegedly caused by a stone that picked up during grass cutting	Israel Mlungwana - ND 100-970 - 066 111 8510	Richards Bay	25 000,00	750,00	750,00
27/04/2022	222021/66	Public Liability	V1433 driven by P Mthethwa was damaged when he collided with TP VW Polo NRB 84071 both drivers allege they were blinded by the sun	Justice Madlala - NRB 84071 - 083 755 1364	Esikhaleni	5 000,00		
17/04/2022	222021/67	Public Liability	Philani Mhlongo is claiming for damages to his vehicle - ND 287 - 269 tyres allegedly caused when he hit a pothole	Philani Mhlongo - ND 287-269 - 074 2016 758	Richards Bay	20 000,00	2 269,13	2269,13
24/04/2022	222021/68	Public Liability	Kenneth Cindi is claiming for damages to his vehicle tyres allegedly caused when he hit a pothole	Kenneth Cindi	Empangeni	20 000,00	2 980,00	2 980,00
03/05/2018	222021/72	Public Liability	J Mazibuko is claiming for damages to his vehicle allegedly caused by pothole	Joseph Mazibuko - NRB 50551 - 083966 1583	Esikhaleni	20 000,00	2 239,63	2 239,63
17/05/2018	222021/73	Public Liability	The front left tyre and rim got damaged allegedly by a pothole at Boulevard	NRB 15130	Richards Bay	20 000,00	1 537,70	1 537,70
11/04/2022	222021/75	Public Liability	N Ntimande is claiming for damages to her property allegedly damaged by flooding caused by a speed hump that prevented the flow of water	N Ntyimbane - J1302 Nyezane str - 079 018 7434	Esikhaleni	25 000,00	29 950,00	25 000,00
19/05/2022	222021/76	Public Liability	Sbongiseni Mthethwa vehicle NUF 47397 was allegedly damaged by a tree that fell off on Ngwelezane Rd	Sbongiseni Mthethwa-Emoyeni Reserve-082 474 4247	Empangeni	20 000,00	4 100,00	4 100,00
23/05/2022	222021/77	Public Liability	Thulani Ximba's left rim, tyre & rear rim tyre was damaged allegedly by a pothole at Alumina Alley	Thulani Ximba-Esikawini-067 391 8126	Richards Bay	20 000,00	4 100,00	4 100,00
16/05/2022	222021/78	Public Liability	Vishen Singh is claiming for damages to his household appliances/goods allegedly damaged by an electric surge	Vishen Singh-10 Curriana Brackenhams-076 083 2716	Richards Bay	20 000,00	50 495,00	20 000,00
16/05/2022	222021/79	Public Liability	Tamara Naicker is claiming for damages to her household appliances/goods allegedly damaged due to a power surge	Tamara Naicker -28 Cibotium St Brackenhams-071 572 8017	Richards Bay	20 000,00	72 280,00	20 000,00
16/05/2022	222021/80	Public Liability	Keith Murugan is claiming for damages to his property allegedly damaged by an electrical surge	Keith Murugan-4 Cinnamon crescent Brackenhams-074 586 1693	Richards Bay	20 000,00		
10/05/2021	222021/81	Public Liability	Household cracking allegedly due to a speed hump that is in front of her house	Thulile Mkhwanazi	Richards Bay	20 000,00		
16/05/2022	222021/82	Public Liability	Mantomo Senyelo is claiming for damages to his magrim and tyre allegedly damaged by a pothole between shell garage and Bmw Alton north	Matome Senyelo-Plot 367, Mandlazi-073 376 0825	Richards Bay	20 000,00	730,00	730,00
09/06/2022	222021/91	Public Liability	V2011 - Driven by M Chivambo was damaged during a TP collision with NUF 10622	Dlamini - 073 158 9805 - (owner) NUF 10622 - Sibuya (driver)	Empangeni	25 000,00	61 868,00	25 000,00
01/07/2019	222021/93	Public Liability	N Mazibuko alleges that her property wall was damaged due to a leak on a municipal pipe	Nonhlanhla Mazibuko - 0736170832 - A1179 Zanya Road	Ngwelezane	25 000,00		
27/05/2022	222021/96	Public Liability	V1395 - Driven by Victor Khoza was involved in a TP collision with NUF 34331 when the TP attempted to overtake on the left	Joseph Sibusiso - 066 082 5262 - NUF 34331	Ngwelezane	5 000,00		
27/05/2022	222021/98	Public Liability	V445 - Operated by Isareal Xaba - was involved in a TP incident when a bin was put into the bin lifter and a bottle flew out hitting NUF 57289	NUF 57289	Empangeni	25 000,00		
30/05/2022	222021/99	Public Liability	Minious Gumede is claiming for damages to his vehicle allegedly caused by a pothole on Alumina Alley	Minious Musawenkosi Gumede - 0826340116 - NRB 71733	Richards Bay	20 000,00	2 800,00	2 800,00
21/04/2022	222021/100	Public Liability	Bhekani Mtshali is claiming for damages to his vehicle allegedly caused by a pothole on Dune Road	Bhekani Mtshali - 062 987 0687 - NRB 86475	Richards Bay	20 000,00	4 200,00	4 200,00
23/06/2022	222021/101	Public Liability	Claude Naidoo is claiming for damages to his vehicle allegedly caused by a pothole on Alumina Alley	Claude Naidoo - 081 302 6733 - NRB 57947	Richards Bay	20 000,00	5 550,00	5 550,00
16/05/2022	222021/102	Public Liability	Rookmoney Ramkisten is claiming for damages to her appliances allegedly caused by a power surge	Rookmoney Ramkisten - 064 409 30647 - 16 Currani Corner	Richards Bay	25 000,00	35 584,51	25 000,00
02/06/2022	222021/104	Public Liability	Mfanizana Jaffet Ngcobo is claiming for damages to his company vehicle - ND 890551 - allegedly caused by a stone that picked up	Mfanazana Ngcobo - ND 890551 - 087 822 2232 - 074 187 7720	Richards Bay	25 000,00	2 107,50	2 107,50
						515 000,00	312 802,19	173 363,96

Notes:

- It has been noted that in this quarter as well there has been a drastic increase in public liability claims, noting an increase in pothole claims and grass cutting incidents of stones picking up and damaging property and vehicles.
- Thorough investigations must be done regarding the guard covers on the machines as well tool box talks should be done regularly on grass cutting. The roads section was consulted on the major increase in potholes on our roads.
- Burst water pipes causing damage to third party property remains a problem as the claims are exceptionally high.
- There have also been incidents of trees falling over and allegedly causing damage to private property, here it has been found that homeowners are negligent to a certain extent as they do not report overgrown trees timeously and only notify council once an incident had occurred.
- Many claimants have referred their claims to Attorneys as they are of the opinion that Council employees were negligent, therefore the point of thorough investigations is of utmost importance.
- There has been an increase in motor vehicle accidents, this category as well lacks thorough investigations and consequence management.
- Theft of laptops have once again increased, however the laptops were not stolen off Council property, but from the vehicles and private homes. It is advised that laptops should not be left unattended in a vehicle or exposed and special caution should be taken at home as well, laptops should be locked away or concealed.
- Delayed reporting of incidents and lack of co-operation from Departments remain a challenge in finalising claims and attract unnecessary legal action.

4.2 PROCEEDS FROM LAND SALES

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

Date received	Amount	Erf Number	Details
	R		
2021/07/20	92 000,00	Erf 10233	Petros J Oelsen
2021/07/20	69 000,00	Erf 7469	Petros J Oelsen
	161 000,00		

The amount shown is inclusive of VAT.

4.3 COST CONTAINMENT POLICY

The implementation of Municipal Cost Containment Regulations (MCCR) was effective from 1 July 2019. The containment policy (**DMS 1407523**) was approved by Council in terms of Council Resolution number 14091 dated 26 August 2020 (RPT 167608).

ANNEXURE D: COST CONTAINMENT REPORT AS AT 30 JUNE 2022			
COST CONTAINMENT MEASURES	ADJUSTED BUDGET 2021/22	ACTUAL JUNE 2022 (YTD)	SAVINGS
Advertisement&Marketing	4 527 300	2 686 411	1 840 889
Catering Services	3 139 400	2 690 034	449 366
Entertainment	545 000	160 704	384 296
Communications:SMS Bulk Message Service	1 459 400	832 589	626 811
Consultants Sevices	96 324 500	75 944 902	20 379 598
Contracted services - Cleaning Services	9 291 100	7 653 494	1 637 606
Contracted services - Security	78 863 400	72 309 235	6 554 165
Legal Advice and Litigation	9 470 200	5 110 125	4 360 075
Travel and subsistence allowance	3 866 300	1 666 554	2 199 746
Vehicle hire for Public office bearers	661 200	596 280	64 920
TOTAL	208 147 800	169 650 329	38 497 471

4.4 OVER-EXPENDITURE

The table below represents operating over-expenditures from 1 March to 30 June 2022 after adjusted budget.

OPERATING OVER EXPENDITURES					
DEPARTMENT	SECTION	SAP PROJECT	SAP GL	AMOUNT	DESCRIPTION
Community ServicesProtection Services	Police Forces, Traffic and Street parking control	H/CQ7BA1.001	4100000200	2 217 300,00	Funds required for overtime,night shift and standby
Community ServicesProtection Services	Road and Traffic Regulation	H/CR7BA1.001	4100000200	17 000,00	Funds required for overtime,night shift and standby
Community ServicesProtection Services	Security Services	D/AL3BA1.001	4400004500	17 216 000,00	Additional funds required for security.
Community ServicesProtection Services	Security Services	D/BP7BA1.001	4500006000	480 900,00	Funds required for travel for security for POB's
Community services-Public Health and Emergency services	Disaster Management	W/AH7BA1.001	4700000200	500 000,00	Funds required for flood relief to community
Community services-Public Health and Emergency services	Solid waste Removal	H/DC4BA1.001	4100000400	1 639 400,00	Funds required for Structured overtime
Community services-Public Health and Emergency services	Solid waste Removal	D/DC4BA1.001	4500002400	4 000 000,00	Required for payment of outstanding invoices for Dumping Fees.
Community services-Public Health and Emergency services	Street Cleansing	H/DE4BA1.001	4100000400	521 900,00	Funds required for Structured overtime
Corporate Services-Administration	Mayor and Council	D/AS7BA1.001	4500008100	50 000,00	ESS & SCM to procure vehicles for POBs
Corporate Services-Administration	Mayor and Council	D/AS7BA1.001	4500008100	390 000,00	Funds required for the hiring of vehicles.
Corporate Services-Information communication Technology	Information Technology	D/BK7BA1.001	4400000900	24 000 000,00	Funds for SAP ERP Support, 8/2/1/UMH793-20/21
Infrastructure Services-Civil engineering services	Roads-Rural Roads	M/CO7BA1.029	4450000300	5 000 000,00	Additional funds required for maintenance
Infrastructure Services-Civil engineering services	Sewerage-Pumpstations	M/DH5BA1.142	4400003800	20 600 000,00	Funds required to cover shortfall on repairs and maintenance.
Infrastructure Services-Civil engineering services	Treatment	M/DK5BA1.177	4400003900	2 600 000,00	Funds required for Bioactivator project
Infrastructure Services-Civil engineering services	Treatment	D/DK5BA1.001	4400007300	5 639 600,00	Funds required for payment of outstanding invoices
Infrastructure Services-Civil engineering services	Water Distribution (Purification works)	D/DQ6BA1.001	4450000500	200 000,00	Funds required for payment of outstanding chemical invoices.
Infrastructure Services-Civil engineering services	Water Distribution-Rural Water	D/DM6BA1.001	4500008100	37 867 700,00	Funds for provision of water tanker services.
Infrastructure Services-Civil engineering services	Water Distribution-Rural Water	D/DM6BA1.001	4500008100	11 600 000,00	Funds required for payment of outstanding water tankers invoices.
Infrastructure Services-Civil engineering services	Water Distribution-Rural Water	M/DM6BA1.036	4400003900	28 173 300,00	Funds required to cover shortfall on repairs and maintenance.
				162 713 100,00	

5. **IN-YEAR BUDGET STATEMENT TABLES**

The following monthly budget statement tables (**DMS 1542879**) 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
Table SC13e	Monthly capital expenditure on upgrading of existing assets by assets class	Z

PART 2 - SUPPORTING DOCUMENTATION

6. SUPPLY CHAIN MANAGEMENT POLICY

LEGISLATIVE FRAMEWORK

- Supply Chain Management Policy.
- Contract Management Policy.

SUPPLY CHAIN MANAGEMENT POLICY

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

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

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

CONTRACT MANAGEMENT POLICY

- **Statutory reporting and compliance**

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

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical considering the legislative requirements that should be fulfilled to avoid Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure. Furthermore, certain functions were transferred to the unit without increasing the staff, i.e. travelling and bid report writing. There are five vacancies during the quarter under review:

POSITION	REASONS FOR VANCANCY	STATUS
SCM Practitioner – Acquisitions Management	Promotion	Selection process underway
Accounting Clerk – Demand Management	Promotion	Selection process underway
Procurement Officer – Acquisitions Management	Dismissal and appealing the sentence.	Awaiting Bargaining Council seating.
Administrative Officer – Bid Administration	Dismissal and appealing the sentence.	Awaiting Bargaining Council seating.
Fuel Attendant - Logistics	Retirement	Selection process underway

Unfortunately, two vacancies resulting from dismissal have been vacant for almost three years since the officials were suspended in April 2019. They were dismissed on 13 June 2020, and the appeal of their sentence has still not been finalised.

- **Internal Audit**

There was one internal audit in Quarter 4 of 2021/22 financial year, the report has not been received at end of Quarter 4.

- **Training and Workshops**

The Supply Chain Management Policy, Clause 8, the training of officials involved in implementing the Supply Chain Management Policy should be in accordance with National Treasury guidelines on Supply Chain Management Training. Trainings for the quarter are as follows:

None

- **Supply Chain Management Module - uMSAP**

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

DEMAND AND ACQUISITION MANAGEMENT

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

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Apr-22	25
May-22	83
Jun-22	54
	162

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

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

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

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

A list of orders in excess of R100 000 is included under - **Annexure AP on DMS 1526793.**

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

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

There were Ten (10) deviations for the third quarter which amounts to R196 503 246 (Annexure AQ - DMS 1526793):

DEVIATIONS AS AT THE END OF QUARTER 4 ENDED 30 JUNE 2022										
	QUARTER 1		QUARTER 2		QUARTER 3		QUARTER 4		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value	No.	Value	No.	Value	No.	Value		
Corporate Services (CS)	1	34 169 145	1	163 164	3	437 192	2	16 986 719	07	51 756 221
Financial Services (FS)	1	598 886	-	-	1	93 204	-	-	02	692 090
Technical Services (TS)	3	45 146 898	3	5 444 902	2	652 302	1	3 487 596	09	54 731 697
Electricity and Energy Services (EES)	16	57 173 189	19	5 337 155	4	26 367 000	2	123 893	41	89 001 238
Office of the Municipal Manager	-	-	1	322 000	-	-	-	-	01	322 000
Total	21	137 088 117	24	11 267 221	10	27 549 699	5	20 598 209	60	196 503 246

AWARDED TENDERS QUARTER 4 - 2021/22

MONTH	NUMBER OF AWARDS	TOTAL
Apr-22	3	57 406 052
May-22	3	24 798 103
Jun-22	6	158 492 744
TOTAL	12	240 696 899

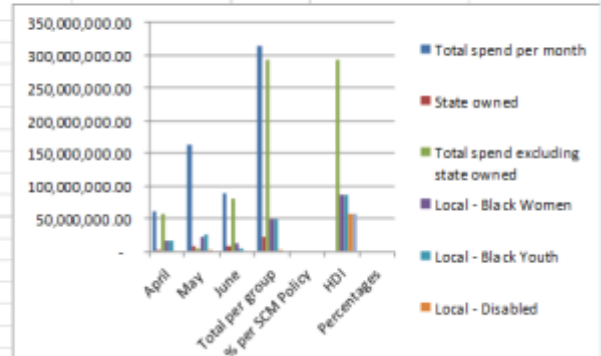
TENDER ADMINISTRATION

TENDER NUMBERS ISSUED, PUBLISHED, CANCELLED AND SITTING OF BID COMMITTEES				
Number of tenders numbers issued to user departments	Number of tenders published	Number of tenders Cancelled	Number of Bid Committees seated and cancelled	
			Seated	Cancelled
49	8	2	BSC 06	1
			BEC 12	1
			BAC 13	0

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

- Purchase Order report reflecting how Supply Chain Management performed in terms of the category suppliers in Quarter 1:

	April	May	June	Total per group	% per SCM Policy	HDI	Percentages
Total spend per month	60,861,575.04	164,086,990.61	89,889,033.69	314,837,599.34			
State owned	3,715,542.95	8,240,779.00	9,576,890.05	21,533,212.00			
Total spend excluding state owned	57,146,032.09	4,644,152.11	80,312,143.64	293,304,387.34	0%	293,304,387.34	
Local - Black Women	15,806,279.81	22,320,588.02	11,806,115.09	49,932,982.92	30%	87,991,316.20	57%
Local - Black Youth	17,336,164.83	27,289,211.64	5,259,082.09	49,884,458.56	30%	87,991,316.20	57%
Local - Disabled	-	52,613.00	-	52,613.00	20%	58,660,877.47	0%
Military Veterans	-	-	-	-	20%	58,660,877.47	0%



• Report on Objections and Complaints

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

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

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

(b) Objections and Complaints Table:

01 APRIL TO 30 JUNE 2022	
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 50)	
Details of objections or complains for tenders	Letters received during the quarter for tender: Tender 8/2/1/UMH745-20/21:Mkhwanazi North Phase 5: Reticulation Zone
Against the procurement process	N/A
Against the decision or action	Yes
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 50)	
Details of objections or complains for tenders	Letters received during the quarter for tender: Tender 8/2/1/MH778-20/21Panel of Legal Practitioners
Against the procurement process	N/A
Against the decision or action	Yes

MUNICIPAL BID APPEALS TRIBUNAL (In terms of SCMP, Clause 50A)	
Case referred by Bidder	1
Bidder Name	Sinethemba Construction and Projects

RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES (In terms of SCMP, Clause 50)	
Details of decision or action and queries	None
taken in the implementation of the procurement process in terms of the supply chain management system; or	None
any matter arising from a contract awarded in the course of the supply chain management system;	None

CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 4	
Details	Number
Contracts Expiring in 6 months	45
Total Contracts Carried Over from 31/03/2022	166
Total Effective Contracts as at 30/06/2022	170
Total Contracts closed in Q 4	41
Total Captured in Quarter 4	30
Number of Contracts amended using 15% and 20 threshold	0

MONTHLY STOCK COUNT

The Stock Count results for quarter 4 ending 30 June 2022 are as follows:

STOCK TAKE RECONCILIATION FOR THE PERIOD ENDED 30 JUNE 2022	
DESCRIPTION	AMOUNT
Stock value before stocktake	29 100 108,02
Less: Stock issued during Stock Take	-331 142,82
Add: Stock receipts during Stock Take	5 299 212,41
Stock Written off	-13 270,48
Unfavourable variance	-241 068,08
Favourable variance	238 575,85
	34 052 414,90
Stock value after stocktake	34 052 414,90
Variance	-

PART 3 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting Table SC3 - Aged Debtors (**Annexure M – DMS 1525868**) for the month ended 30 June 2022.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N – DMS 1525868**) for the month ended 30 June 2022.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O – DMS 1525868**) for the month ended 30 June 2022.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and Grant receipts (**Annexure P – DMS 1525868**) and supporting table SC7 - Transfers and Grant expenditure (**Annexure Q – DMS 1525868**) for the month ended 30 June 2022.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and Staff Benefits (**Annexure R – DMS 1525868**) for the month ended 30 June 2022.

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

The first Quarter progress on the quarterly projections of Service Delivery Targets and Performance Indicators is indicated on **Annexures AM (DMS 1526793)**.

Although the detailed Component 5 is **attached as Annexure AM (DMS 1526793)**, the tables below depict a summary of the most applicable components thereof.

NB: (Please note when looking at the detailed version of Component 5 - **Annexure AM (DMS 1526793)** each Vote is illustrated in number order on the extreme left, Vote details of which is illustrated over 3 pages):

DEPARTMENT	ADJUSTED BUDGET 2021/22	SUPPLEMENTS/ (RETURNS)	VIREMENTS	FINANCIAL SYSTEM BUDGET 2021/22	ACTUAL YTD AT 30/06/2022	% OF ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	32 380 200	-	(9 150 000)	23 230 200	9 906 502	43%
CITY DEVELOPMENT	32 380 200	-	(9 150 000)	23 230 200	9 906 502	43%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	58 154 200	-	8 500 000	66 654 200	41 261 376	62%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	6 351 900	-	2 500 000	8 851 900	3 872 161	44%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	51 087 300	-	6 460 000	57 547 300	37 350 085	65%
COMMUNITY SERVICES - PROTECTION SERVICES	715 000	-	(460 000)	255 000	39 130	15%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	74 155 700	-	1 383 100	75 538 800	48 459 891	64%
CORPORATE SERVICES - ADMINISTRATION	35 532 200	-	524 300	36 056 500	5 717 418	16%
CORPORATE SERVICES - ICT	38 623 500	-	858 800	39 482 300	42 742 474	108%
CHIEF FINANCIAL OFFICER	4 728 000	-	(230 000)	4 498 000	2 810 302	62%
FINANCIAL SERVICES	4 728 000	-	(230 000)	4 498 000	2 810 302	62%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	216 521 500	-	74 300	216 595 800	158 419 126	73%
ELECTRICAL SUPPLY SERVICES	216 521 500	-	74 300	216 595 800	158 419 126	73%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	448 590 700	10 000 000	(607 400)	457 983 300	379 340 694	83%
ENGINEERING SUPPORT SERVICES	31 940 200	-	(92 000)	31 848 200	8 968 841	28%
TRANSPORT, ROADS AND STORMWATER	148 453 800	-	(3 045 500)	145 408 300	111 759 544	77%
WATER AND SANITATION	268 196 700	10 000 000	2 530 100	280 726 800	258 612 309	92%
OFFICE OF THE MUNICIPAL MANAGER	-	-	30 000	30 000	24 320	81%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	-	-	30 000	30 000	24 320	81%
TOTAL CAPITAL BUDGET	834 530 300	10 000 000	-	844 530 300	640 222 211	76%

13. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G – DMS 1525868**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H – DMS 1525868**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U – DMS 1525868**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V – DMS 1525868**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W – DMS 1525868**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X – DMS 1525868**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y – DMS 1525868**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1525868**).

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

Refer to **DMS 1543496 (Annexure AR)**.

PART 4 - OTHER LEGISLATION REQUIREMENTS

15. **WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003), the Accounting Officer must within 30 days after the end of each quarter, table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AP (DMS 1526793)** 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).”

None

“(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:”

R19 894 003,27 (NPA vehicle licence pay over).

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

R40 011,00

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

R1 461 424,62 (Refund of credit balances and deposits debtors accounts).

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

Refer to **Annexure O** and **Annexure S**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

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

COMMENTS OF THE CHIEF FINANCIAL OFFICER

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

COMMENTS OF THE MUNICIPAL MANAGER

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

DISCUSSION HELD BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 26 JULY 2022

DISCUSSION

The Committee deliberated on the report and highlighted various issues of concern that were clarified by the Head of Section: Expenditure. Of serious concern was the debtors' accounts which was steadily increasing. It was pointed out that due to the restrictions imposed by the outbreak of COVID-19, credit control measures could not be implemented for the past two (2) years. However, credit control actions have since been commenced with although collection might take a while due to varying reasons.

Administration's attention was drawn to the pages with Employee and Councillor debt wherein the amounts reflected on the report versus the ones contained in the DMS numbers were inconsistent. An apology was extended on behalf of Administration and an undertaking was made that an error will be corrected. On a proposal by Cllr X Ngwezi, seconded by Cllr S H Mkhwanazi, it was agreed that the report be noted. However, it be proven at the next meeting that correction was done.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 30 June 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 1525868)** including the quarterly requirements in terms of Section 52(d) be noted; and
2. savings as per Municipal cost containment regulations **(under 4.3)**, be noted.