

15723

FINANCIAL REPORT AS AT 31 JULY 2022

***This report served before the Financial Services Portfolio Committee on 23 August 2022.
The recommendations were supported.***

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 July 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

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 July 2022 is included under **Annexures AA and AB (DMS 1548924)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF JULY 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 July 2022, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 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 July 2022 (year to date actual) shows a surplus of R290,3 million. The performance in this area is **Acceptable**.

Capital Budget

Council is in the first quarter of the financial year and capital expenditure is low at R24 million (2,87%). This is based on the Adopted Budget of R835 million. The performance in this area is **Not Acceptable**.

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 2,42:1 (720 160/297 741). The performance in this area is **Acceptable**.

2. **RESOLUTIONS**

Refer to the recommendations contained in this report.

3. **EXECUTIVE SUMMARY**

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

3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 31 July 2022:

DESCRIPTION	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue	3 998 304 000	541 849 050	621 567 173	114,71%
Expenditure	4 071 959 500	385 449 033	331 296 113	85,95%
Operating Surplus/(Deficit)	(73 655 500)	156 400 017	290 271 060	

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 2,42:1 (720 160/297 741). 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 2022/23	AMOUNT RECEIVED AS AT 31/07/2022	ACTUAL EXPENDITURE AS AT 31/07/2022	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY					
Equitable Share	471 939 000	184 056 000	39 328 250	8%	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	147 172 000	58 869 000	26 695 617	18%	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	2 500 000		63 522	3%	Spending is in accordance with the support plan submitted to National Treasury for the grant.
Water services infrastructure grant	50 000 000			0%	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	3 213 000			0%	The grant is for the operational expenditure for EPWP.Expenditure will only occur on the following month as employment contracts for EPW employees were concluded in the period under review.
Energy Efficiency and Demand Management	5 000 000			0%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. No expenditure has been incurred in the period under review.
TOTAL NATIONAL TREASURY GRANTS	679 824 000	242 925 000	66 087 389	10%	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 31/07/2022	ACTUAL EXPENDITURE AS AT 31/07/2022	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	9 593 000		2 444 313	25%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 032 800		206 578	10%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	3 177 000		1 548 649	49%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	235 000		286 026	122%	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	10 944 000			0%	This grant is for capital to help build sports facilities and develop sports and recreation, There is no expenditure on this period.
TOTAL PROVINCIAL TREASURY GRANTS	25 981 800	-	4 485 566	17%	
TOTAL GRANTS AND SUBSIDIES	705 805 800	242 925 000	70 572 956	10%	

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 July 2022:

FUNCTION	ADOPTED BUDGET 2022/2023	ACTUAL JULY 2022 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Finance and Administration	51 927 000	2 299	0,00%
Community and Social Services	47 503 000	-	0,00%
Energy Sources	51 602 000	-	0,00%
Executive and Council	141 000	-	0,00%
Environmental Protection	2 500 000	-	0,00%
Air Transport - Air port	11 500 000	-	0,00%
Planning and Development	48 603 000	-	0,00%
Public Safety	2 337 000	-	0,00%
Road Transport	132 137 000	308 599	0,23%
Sport and Recreation	41 805 000	2 200 492	5,26%
Waste Management	11 802 000	-	0,00%
Waste Water Management	121 800 000	92 983	0,08%
Water	311 419 000	21 392 306	6,87%
	835 076 000	23 996 678	2,87%

SOURCE OF FUNDING	ADOPTED BUDGET 2022/2023	ACTUAL JULY 2022 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Borrowing	390 000 000	2 335 537	0,60%
Capital Replacement Reserve	240 018 000	403 444	0,17%
Integrated Urban Development Grant	139 814 000	21 257 698	15,20%
Government Grants - National	54 300 000	-	0,00%
Government Grants - Provincial	10 944 000	-	0,00%
TOTAL	835 076 000	23 996 678	2,87%

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 July 2022:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 164 608 100	94 184 500	84 225 384	89,43%
Remuneration of Councillors	37 291 100	3 107 600	2 684 646	86,39%
Debt Impairment	172 510 200	14 375 900	14 375 900	100,00%
Depreciation and asset impairment	326 552 300	27 213 300	27 213 300	100,00%
Finance Charges	72 864 600	6 072 200	6 062 446	99,84%
Bulk Purchases - Electricity	1 258 204 000	151 350 800	135 542 100	89,55%
Inventory consumed - Water	401 327 100	33 443 925	25 697 429	76,84%
Inventory consumed - Materials	156 165 000	13 013 750	11 996 288	92,18%
Contracted Services	395 567 400	26 993 300	1 400 075	5,19%
Transfers and grants	14 216 900	3 003 500	133 652	4,45%
Other Expenditure	327 827 100	28 564 700	33 173 219	116,13%
Losses - Water Inventory (Note 1)	214 797 800	23 289 900	19 777 862	84,92%
Inventory consumed - Capitalisation (Note 2)	(469 972 100)	(39 164 342)	(30 986 188)	79,12%
TOTAL	4 071 959 500	385 449 033	331 296 113	85,95%

The above table represents operating expenditure per category as at 31 July 2022.

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	681 140 100	65 763 900	103 291 318	157,06%
Service Charges – Electricity revenue	1 857 292 200	200 834 700	235 379 726	117,20%
Service Charges – Water revenue	511 400 700	43 331 500	64 545 758	148,96%
Service Charges – Sanitation revenue	114 066 300	9 531 500	12 605 035	132,25%
Service Charges – Refuse revenue	114 115 200	9 346 700	8 840 911	94,59%
Rental of facilities and equipment	6 477 100	539 758	761 226	141,03%
Interest earned – external investments	66 700 000	5 558 333	3 051 030	54,89%
Interest earned – outstanding debtors	128 000	10 667	-	0,00%
Fines, penalties and forfeits	57 681 000	4 806 750	184 399	3,84%
Licences and permits	3 525 900	293 825	69 150	23,53%
Agency services	6 179 400	514 950	487 833	94,73%
Operating Transfers and Subsidies	504 462 000	198 214 400	187 450 084	94,57%
Other Revenue	37 224 800	3 102 067	4 900 701	157,98%
Gains - Employee related costs	37 911 300	-	-	0,00%
TOTAL OPERATING REVENUE	3 998 304 000	541 849 050	621 567 173	114,71%

The above table represents operating revenue per category as at 31 July 2022.

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

DETAILS	ADOPTED BUDGET 2021/22	PRO-RATA ADOPTED BUDGET (YTD)	ACTUALS JULY 2022 (YTD)	% ADOPTED BUDGET SPENT
	R	R	R	
Fines:Illegal Connections	1 397 400	116 450	31 132	27%
Fines:Overdue Books	16 000	1 333	81	6%
Fines:Pound Fees	100	8	3 570	42840%
Fines:T raffic: Court Fines	391 500	32 625	-	0%
Fines:T raffic: Municipal	50 317 300	4 193 108	86 860	2%
Forfeits:Deposits	1 161 400	96 783	16 914	17%
Fines:Motor Vehicle Licence	1 100	92	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	4 396 200	366 350	45 843	13%
TOTAL	57 681 000	4 806 750	184 399	4%

3.7 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	Over 1 Year	Total
	R	R	R	R
Bulk Electricity	155 874 801	-	-	155 874 801
Bulk Water	18 139 200	18 370 962	-	36 510 162
PAYE deductions	16 625 824	-	-	16 625 824
VAT (output less input)	-	-	-	-
Pensions / Retirement deductions	12 764 752	-	-	12 764 752
Loan repayments	-	-	-	-
Trade Creditors	11 864 603	7 363 410	1 099 362	19 228 013
Auditor General	-	-	-	-
Other	3 800	-	-	3 800
Total By Customer Type	215 272 980	25 734 372	1 099 362	241 007 352

The above table represents the ageing of creditors outstanding as at 31 July 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 July 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	261 453 794	22 962 111	16 383 090	273 385 941	574 184 936
Business	175 154 014	9 872 840	8 400 089	72 567 891	265 994 835
Households	52 807 575	6 482 591	6 822 588	176 898 924	243 011 678
Other	564 948	507 338	50 889	3 058 952	4 182 127
Total	489 980 331	39 824 880	31 656 656	525 911 709	1 087 373 576
%	45,06%	3,66%	2,91%	48,37%	

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:

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%

PAYMENT RATIO					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1 Collection Rate - Rolling 12 Months	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	95%		94,78	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance at end July 2022	1 087 446 557	
			Gross Debtors opening balance at end August 2021	830 051 925	
			Bad debts written Off Aug 2021 to July 2022	29 739 962	
			Billed Revenue Aug 2021 - July 2022	4 928 572 406	

➤ **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:

<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

NETT DEBTORS IN DAYS					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days $((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	30 days		69,66 days	Please refer to page 6 of MFMA Circular No. 71
			Gross debtors balance end July 2022	1 087 446 557	
			Bad debts Provision 2022 / 2023	146 879 700	
			Billed Revenue Aug 2021 - July 2022	4 928 572 406	

➤ **Top 10 Debtors**

TOP TEN DEBTORS FROM ALL CATEGORIES							
Acc No	Consumer Type Descr	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1088329	STATE OWNED ENTITIES	10 695 027,18	3 732 958,88	7 103 740,90	5 301 944,02	78 436 719,57	105 270 390,55
501543	STATE OWNED ENTITIES	11 358 678,09	8 230 193,18	-	25 799 010,81	54 192 988,23	99 580 870,31
531788	STATE OWNED ENTITIES	0,29	0,14	0,14	0,20	47 714 585,59	47 714 586,36
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 589,88	22 377 589,88
551583	STATE OWNED ENTITIES	914 303,72	2 100 558,49	1 145 960,40	2 172 541,13	9 851 844,80	16 185 208,54
568393	STATE OWNED ENTITIES	2 327 123,65	3 559 898,01	3 452 044,60	3 577 904,74	7 384 389,33	20 301 360,33
1632348	STATE OWNED ENTITIES	752 881,25	393 936,28	396 090,69	369 528,08	6 160 130,47	8 072 566,77
1610626	PRIVATE BUSINESS	-	-	-	-	6 106 822,80	6 106 822,80
2289941	PRIVATE BUSINESS	-	-	-	-	5 044 907,12	5 044 907,12
416383	PRIVATE BUSINESS	75 887,89	143 319,90	-	143 319,90	4 699 178,26	5 061 705,95
		26 123 902,07	18 160 864,88	12 097 836,73	37 364 248,88	241 969 156,05	335 716 008,61

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	15 465 327	3 062 277	2 026 373	2 344 984	1 150 140	-1 499 045	22 550 056
Provincial	26 370 500	26 455 137	1 874 582	553 547	1 885 957	9 217 811	66 357 533
Government accounts in Dispute	290 126	18 996	0	0	0	2 102 802	2 411 923
National Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	15 225 638	2 800 177	2 026 373	2 344 984	1 150 084	1 328 298	24 875 554
Dept of Agriculture and Rural Development & land Reform	239 689	262 100	0	0	56	628 469	1 130 314
Department of Water Affairs and Sanitation	0	0	0	0	0	-3 455 812	-3 455 812
	15 465 327	3 062 277	2 026 373	2 344 984	1 150 140	-1 499 045	22 550 056
Provincial Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	20 259 864	5 561 815	-131 819	14 373	23 590	1 742 603	27 470 425
Education	1 025 086	1 041 334	827 549	104 146	1 287 315	2 871 721	7 157 152
Tvet Colleges	378 696	18 002 727	401 316	211 154	936	23 675	19 018 504
Human Settlement	1 369 598	30 383	13 840	-71 053	9 734	430 728	1 783 231
Department of Transport	228 636	181 119	208 751	116 883	97 431	124 299	957 119
Department of Health	3 058 886	1 597 309	532 052	178 044	466 950	4 024 785	9 858 026
Department of Social Welfare	49 735	40 450	22 892	0	0	0	113 077
	26 370 500	26 455 137	1 874 582	553 547	1 885 957	9 217 812	66 357 534
Other Organs of State	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	5 442 909	7 625 143	-1 104 973	230 474	347 074	2 337 656	14 878 283
ESKOM	158 772	40 280	39 371	37 945	39 919	53 699	369 985
Ingonyama Trust Board	592 128	1 524 838	0	0	0	9 274 246	11 391 213
Telkom	682 074	564 040	266	0	98	1 257	1 247 734
Foskor	786 057	41 967 071	4 973 314	3 465 521	3 591 381	9 044 998	63 828 341
SA Post Office	6 877	0	0	0	0	-17 284	-10 406
Richards Bay IDZ	3 349 651	3	0	0	0	0	3 349 654
Mhlathuze Water Board	5 855 860	1 239 546	0	0	0	47 740 489	54 835 895
King Cetshwayo District Municipality	5 792 152	18 905 178	14 864 709	9 075 558	34 065 861	148 834 858	231 538 316
	22 666 480	71 866 098	18 772 687	12 809 498	38 044 333	217 269 920	381 429 015
Grand Total	64 792 433	101 402 509	22 673 641	15 708 028	41 080 430	227 091 488	472 748 528

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 R428 670,90 as per **Annexure AD - DMS 1548924**.

Councillors' debt amounts to R18 781,89 as per **Annexure AC - DMS 1548924**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1548925**) 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
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Table SC7(2)	Expenditure Against Approved Rollovers	R
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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 1548925**) for the month ended 31 July 2022.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) (**DMS 1548925**) for the month ended 31 July 2022.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) (**DMS 1548925**) for the month ended 31 July 2022.

8. **ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE**

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) (**DMS 1548925**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) (**DMS 1548925**) for the month ended 31 July 2022.

9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) (**DMS 1548925**) for the month ended 31 July 2022.

10. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 July 2022:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**) (**DMS 1548925**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**) (**DMS 1548925**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**) (**DMS 1548925**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**) (**DMS 1548925**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**) (**DMS 1548925**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**) (**DMS 1548925**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**) (**DMS 1548925**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**) (**DMS 1548925**).

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

Refer to **DMS 1549674** (**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.

DISCUSSION HELD BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 23 AUGUST 2022

The Committee deliberated on the report at length and highlighted various issues of concern that were clarified by the Chief Financial Officer. The Committee was informed that the only exception that has been added in the current budget was the renovation of the Richards Bay Sportsground otherwise priorities as per the approved budget have not changed. A detailed report will be submitted to Council as to how the issue of the sportsground has been accommodated in the budget.

A concern was raised regarding the Debtors from all categories and it was explained that Council is now experiencing the repercussions of a decision taken to suspend the implementation of the credit control during the COVID-19 pandemic. This has resulted in many customers not paying for their debts. However, to resuscitate a culture of paying for services, a request is made for Councillors to join hands in educating consumers on the importance and consequences of not paying for their debts. It was mentioned that there is an outreach programme which the Financial Services team coordinates on a continuous basis. It was mentioned that business debtors are excluded when the credit control policy is enforced such that many of them have payment arrangements towards their accounts. However, a challenge is often encountered with the households debtors.

It bears noting that from the organs of state, the biggest debtors which owe Council substantial amounts are the King Cetshwayo District Municipality (KCDM) and Mhlathuze Water. Even though Foskop owes Council, it was mentioned that they always make an effort to make payments towards their debt. With regard to the KCDM debt, the Committee was informed that a payment has been effected towards the account. However, the outstanding amount is still high. It bears noting that the institution is still disputing the tariffs and a report will be submitted to Council to that effect. With regards to Mhlathuze Water, a decision was taken to implement credit control measures and will be effected through Council's Legal Services.

The Committee appreciated the fact that a report will be submitted to the Portfolio Committee which will provide a way forward/clarity on various issues.

On a proposal by Clr I N Zwane, seconded by Clr S H Mkhwanazi, it was

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 July 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 1548925)**, be noted.