

15844

FINANCIAL REPORT AS AT 30 SEPTEMBER 2022

PURPOSE

1. To submit to Council, the financial position of the uMhlathuze Municipality for the quarter ended 30 September 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 1544363**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1544363**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AJ - DMS 1544363**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AK and AL - DMS 1544363**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AM - DMS 1544363**).

DISCUSSION

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

TABLE OF CONTENTS

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

PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF SEPTEMBER 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 September 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 September 2022 (year to date actual) shows a surplus of R164,7 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 R208,6 million (20%). This is based on the Proposed Adjustment Budget of R1,04 billion. Expenditure is expected to rise as the year progresses. The performance in this area although 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 1.33:1 (424 891/319 006). This is below the norm therefore the performance in this area is **Not 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 The following table represents an executive summary for the financial period ended 30 September 2022:

DESCRIPTION	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL SEPTEMBER 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue	3 998 304 000	1 208 121 525	1 200 478 768	99.37%
Expenditure	4 071 959 500	1 087 882 400	1 035 814 014	95.21%
Operating Surplus/(Deficit)	(73 655 500)	120 239 125	164 664 754	

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 1.33:1 (424 891/319 006).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 30/09/2022	ACTUAL EXPENDITURE AS AT 30/09/2022	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY					
Equitable Share	471 939 000	184 056 000	117 984 750	25%	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	50 946 738	35%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 500 000	2 500 000	283 742	11%	Spending is in accordance with the support plan submitted to National Treasury for the grant.
Water services infrastructure grant	50 000 000	10 000 000	2 099 258	4%	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	804 000	204 755	6%	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	5 000 000	2 000 000	1 738 304	35%	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.
TOTAL NATIONAL TREASURY GRANTS	679 824 000	258 229 000	173 257 546	25%	

NOTES:

OFFICIAL FINAL VERSION

RPT 174234
Page 7 of 38

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 30/09/2022	ACTUAL EXPENDITURE AS AT 30/09/2022	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	9 593 000	-	7 834 498	82%	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	-	669 256	33%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	3 177 000	3 394 084	4 835 863	152%	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	-	912 398	388%	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,
TOTAL PROVINCIAL TREASURY GRANTS	25 981 800	3 394 084	14 252 015	55%	
TOTAL GRANTS AND SUBSIDIES	705 805 800	261 623 084	187 509 561	27%	

3.4 Capital Budget Summary

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

FUNCTION	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	ACTUAL SEPTEMBER 2022 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	%
Finance and Administration	51 927 000	73 271 200	37 167 914	50.73%
Community and Social Services	47 503 000	47 203 700	(10)	0.00%
Energy Sources	51 602 000	53 002 000	3 252 045	6.14%
Executive and Council	141 000	106 000	-	0.00%
Environmental Protection	2 500 000	2 750 000	-	0.00%
Air Transport - Air port	11 500 000	11 500 000	-	0.00%
Planning and Development	48 603 000	50 420 500	-	0.00%
Public Safety	2 337 000	2 319 900	-	0.00%
Road Transport	132 137 000	114 833 200	8 800 278	7.66%
Sport and Recreation	41 805 000	220 142 100	28 279 351	12.85%
Waste Management	11 802 000	11 802 000	233 798	1.98%
Waste Water Management	121 800 000	102 781 100	27 531 896	26.79%
Water	311 419 000	353 428 300	103 360 799	29.25%
	835 076 000	1 043 560 000	208 626 071	19.99%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	ACTUAL SEPTEMBER 2022 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	%
Borrowing	390 000 000	598 387 100	110 842 718	18.52%
Capital Replacement Reserve	240 018 000	240 114 900	48 472 464	20.19%
Integrated Urban Development Grant	139 814 000	139 814 000	45 509 028	32.55%
Government Grants - National	54 300 000	54 300 000	3 801 859	7.00%
Government Grants - Provincial	10 944 000	10 944 000	-	0.00%
TOTAL	835 076 000	1 043 560 000	208 626 069	19.99%

3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL SEPTEMBER 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 164 608 100	280 879 600	254 382 913	90.57%
Remuneration of Councillors	37 291 100	9 322 800	7 968 775	85.48%
Debt Impairment	172 510 200	43 127 700	43 127 227	100.00%
Depreciation and asset impairment	326 552 300	81 639 900	83 275 243	102.00%
Finance Charges	72 864 600	18 216 600	18 402 086	101.02%
Bulk Purchases - Electricity	1 258 204 000	389 229 700	390 018 519	100.20%
Inventory consumed - Water	401 327 100	100 331 775	75 827 635	75.58%
Inventory consumed - Materials	156 165 000	57 156 925	48 262 796	84.44%
Contracted Services	395 567 400	91 539 600	61 764 932	67.47%
Transfers and grants	14 216 900	4 617 900	1 715 488	37.15%
Other Expenditure	327 827 100	82 665 500	84 680 799	102.44%
Losses - Water Inventory (Note 1)	214 797 800	59 823 600	78 689 308	131.54%
Inventory consumed - Capitalisation (Note 2)	(469 972 100)	(130 669 200)	(112 301 707)	85.94%
TOTAL	4 071 959 500	1 087 882 400	1 035 814 014	95.21%

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

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)	395 165 900	371 793 500	23 372 400	75 076 866	71 978 271	3 098 595	395 165 900	371 793 500	23 372 400
Inventory consumed - Water Unbilled (Authorised)	6 161 200	5 884 700	276 500	750 769	719 783	30 986	6 161 200	5 884 700	276 500
Total - Inventory consumed - Water	401 327 100	377 678 200	23 648 900	75 827 635	72 698 054	3 129 581	401 327 100	377 678 200	23 648 900
Loss - Water Inventory	214 797 800	210 792 600	4 005 200	78 689 308	76 127 769	2 561 539	214 797 800	210 792 600	4 005 200
Total Water Inventory (Consumed plus losses)	616 124 900	588 470 800	27 654 100	154 516 943	148 825 822	5 691 121	616 124 900	588 470 800	27 654 100
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)	35 474 796	30 842 250	4 632 546	6 655 362	6 290 577	364 785	35 474 796	30 842 250	4 632 546
Inventory consumed - Water Unbilled (Authorised)	542 980	488 168	54 812	66 554	62 906	3 648	542 980	488 168	54 812
Total - Inventory consumed - Water	36 017 776	31 330 418	4 687 358	6 721 916	6 353 483	368 433	36 017 776	31 330 418	4 687 358
Loss - Water Inventory	18 074 971	17 284 759	790 212	6 972 258	6 687 105	285 153	18 074 971	17 284 759	790 212
% Loss - Water Inventory	33.4%	35.6%	14.4%	50.9%	51.3%	43.6%	33.4%	35.6%	14.4%
Total Water Inventory (Consumed plus losses)	54 092 747	48 615 177	5 477 570	13 694 174	13 040 588	653 586	54 092 747	48 615 177	5 477 570

Water Losses:

The table above represents the water losses as at 30 September 2022, the loss on Potable Water is 51,3% and Clarified Water is 43,6%.

Table below reflects the loss per Area:

Area	July				August				September			
	Sales	Produced and Purchased	Loss		Sales	Produced and Purchased	Loss		Sales	Produced and Purchased	Loss	
	Kl	Kl	Kl	%	Kl	Kl	Kl	%	Kl	Kl	Kl	%
Richards Bay/Nseleni /Khoza/Mandlazi/ Mzingazi	1 484 451	2 623 369	(1 138 918)	43%	1 157 684	2 298 997	(1 141 313)	50%	1 272 016	2 175 835	(903 819)	42%
Empangeni/Ngwelezane/Ntambanana/Madlebe/Zungu	425 542	1 159 747	(734 205)	63%	576 365	1 162 258	(585 893)	50%	518 579	1 088 909	(570 330)	52%
eSikhaleni/Kwa-Dlangezwa/Felixton/Mkwanazi South and North	560 680	631 340	(70 660)	11%	160 438	1 292 127	(1 131 689)	88%	134 822	1 512 750	(1 377 928)	91%
	2 470 673	4 414 456	(1 943 783)	44%	1 894 488	4 753 382	(2 858 894)	60%	1 925 417	4 777 494	(2 852 077)	60%

Purchases of water from Mhlathuze Water for the quarter (July to September 2022):

- Potable Water: 5 499 937 (kl)
- Raw Water: 1 652 577 (kl)
- Clarified Water: 653 586 (kl)

(The amount of Raw Water purchased is not included in the Input Volumes for the calculation of the losses).

If the purchases of water continue at this rate the department will over spend.

The table below indicates possible over spending:

		ADOPTED BUDGET 2022/2023	ACTUAL SEPTEMBER 2022 (YTD)	TOTAL FOR THE YEAR	OVERSPENDING
		R	R	R	R
Clarified Water	Purchases	15 497 400	4 102 945	16 411 780	(914 380)
Clarified Water	Water Resource Charges	9 722 600	997 074	3 988 295	5 734 305
		25 220 000	5 100 019	20 400 075	4 819 925
Potable Water	Purchases	130 655 400	36 112 924	144 451 695	(13 796 295)
Potable Water	Water Resource Charges	19 561 300	8 990 059	35 960 234	(16 398 934)
		150 216 700	45 102 982	180 411 929	(30 195 229)
Total		169 778 000	50 203 001	216 372 164	(46 594 164)

3.6 Revenue by Source

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 SEPTEMBER 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	681 140 100	181 343 400	197 022 659	108.65%
Service Charges – Electricity revenue	1 857 292 200	592 941 300	583 952 991	98.48%
Service Charges – Water revenue	511 400 700	133 553 900	152 740 275	114.37%
Service Charges – Sanitation revenue	114 066 300	29 048 000	29 688 986	102.21%
Service Charges – Refuse revenue	114 115 200	28 712 200	26 477 022	92.22%
Rental of facilities and equipment	6 477 100	1 619 275	2 841 413	175.47%
Interest earned – external investments	66 700 000	10 500 000	7 908 988	75.32%
Interest earned – outstanding debtors	128 000	32 000	-	0.00%
Fines, penalties and forfeits	57 681 000	14 420 250	1 553 888	10.78%
Licences and permits	3 525 900	1 018 500	618 877	60.76%
Agency services	6 179 400	1 785 100	1 258 269	70.49%
Operating Transfers and Subsidies	504 462 000	203 841 400	188 608 137	92.53%
Other Revenue	37 224 800	9 306 200.00	7 807 263	83.89%
Gains - Employee related costs	37 911 300	-	-	0.00%
TOTAL OPERATING REVENUE	3 998 304 000	1 208 121 525	1 200 478 768	99.37%

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

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

DETAILS	ADOPTED BUDGET 2022/23	PRO-RATA ADOPTED BUDGET (YTD)	ACTUALS SEPTEMBER 2022 (YTD)	% ADOPTED BUDGET SPENT
	R	R	R	
Fines:Illegal Connections	1 397 400	349 350	143 542	41%
Fines:Overdue Books	16 000	4 000	1 000	25%
Fines:Pound Fees	100	25	3 570	14280%
Fines:Traffic:Court Fines	391 500	97 875	-	0%
Fines:Traffic:Municipal	50 317 300	12 579 325	723 261	6%
Forfeits:Deposits	1 161 400	290 350	402 021	138%
Fines:Motor Vehicle Licence	1 100	275	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	4 396 200	1 099 050	280 493	26%
TOTAL	57 681 000	14 420 250	1 553 888	11%

3.7 Creditors Report

Creditors Age Analysis by Category

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	Over 90 Days	Over 1 Year	Total
	R	R	R	R	R
Bulk Electricity	110 960 872	-	-	-	110 960 872
Bulk Water	19 393 615	20 407 848	-	-	39 801 463
PAYE deductions	14 643 544	-	-	-	14 643 544
VAT (output less input)	-	-	-	-	-
Pensions / Retirement deductions	12 654 665	-	-	-	12 654 665
Loan repayments	-	-	-	-	-
Trade Creditors	1 237 397	5 012 420	2 801 171	1 099 362	10 150 350
Auditor General	-	-	-	-	-
Other	-	-	-	-	-
Total By Customer Type	158 890 093	25 420 268	2 801 171	1 099 362	188 210 894

The above table represents the ageing of creditors outstanding as at 30 September 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 September 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.

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	220 917 727	52 438 686	39 010 519	190 988 708	503 355 639
Business	183 497 323	8 399 065	6 382 742	79 527 617	277 806 747
Households	53 743 272	3 854 290	5 873 704	184 949 039	248 420 304
Other	868 782	344 295	329 109	3 164 502	4 706 688
Total	459 027 104	65 036 335	51 596 074	458 629 865	1 034 289 378
%	44.38%	6.29%	4.99%	44.34%	

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%

PAYMENT RATIO					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		92.12	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance Sept 2022	1 034 038 186	
			Gross Debtors opening balance Oct 2021	813 779 001	
			Bad debts written Off Oct 2021 to Sept 2022	29 739 962	
			Billed Revenue Oct 2021 - Sept 2022	3 174 368 979	

➤ **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:

Formula (As per circular 71)	Norm
(Gross Debtors - Bad Debt Provision) / Billed Revenue) × 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	((Gross Debtors - Bad Debt Provision) / Billed Revenue)) x 365	30 days		Please refer to page 6 of MFMA Circular No. 71
				102.01 days	
				Gross Debtors closing balance Sept 2022	
				1 034 038 186	
				Bad debts Provision 2022 / 2023	
				146 879 700	
				Billed Revenue Oct 2021 - Sept 2022	
				3 174 368 979	

➤ **Top Ten Debtors**

TOP TEN DEBTORS FROM ALL CATEGORIES							
Account No	Consumer Type	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1088329	State Owned Entity	11 780 675	5 006 235	5 688 792	3 732 959	59 433 070	85 641 731
501543	State Owned Entity	9 595 419	-	11 358 678	8 230 193	46 002 867	75 187 158
1854904	Business	-	-	-	-	22 377 590	22 377 590
531788	State Owned Entity	(0.15)	0.15	0.14	0.14	14 802 650	14 802 650
568393	State Owned Entity	4 175 805	576	2 326 548	3 559 898	8 190 431	18 253 258
551583	State Owned Entity	2 291 751	-	914 304	2 100 558	7 272 021	12 578 635
1610626	Business	-	-	-	-	6 106 823	6 106 823
2289941	Business	-	-	-	-	5 044 907	5 044 907
416383	Business	151 776	-	75 888	143 320	4 842 498	5 213 482
2273109	State Owned Entity	-	-	17 985	-	3 835 347	3 853 332
Total		27 995 425	5 006 812	20 382 194	17 766 929	177 908 205	249 059 565

Government Debt

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

Government Departments - Summary of All Departments							
Government Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	4 625 954	4 053 481	13 632 930	3 048 589	2 056 765	(310 436)	27 107 283
Provincial	9 263 694	4 062 813	21 931 670	9 010 962	1 409 283	9 641 835	55 320 257
Government accounts in Dispute	–	–	290 126	18 996	–	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	4 625 954	4 053 481	13 398 345	2 613 679	2 056 765	2 072 273	28 820 497
Dept of Agriculture and Rural Development & Land Reform	-	-	234 585	434 910	-	426 103	1 095 598
Department of Water Affairs and Sanitation	-	-	-	-	-	(2 808 812)	(2 808 812)
	4 625 954	4 053 481	13 632 930	3 048 589	2 056 765	(310 436)	27 107 283
Provincial Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	38 905	1 790	20 756 359	5 559 495	(134 139)	951 812	27 174 223
Education	1 441 474	477 234	(128 090)	563 029	721 219	3 713 375	6 788 241
Tvet Colleges	2 901 866	1 523 382	198 125	2 466 773	216 488	2 563	7 309 198
Human Settlement	65 585	30 901	442 510	15 931	6 303	360 652	921 881
Department of Transport	168 626	158 540	215 260	177 946	193 053	30 813	944 238
Department of Health	4 593 583	1 848 053	447 506	227 788	406 358	4 582 620	12 105 908
COGTA	–	–	–	–	–	–	–
Department of Social Welfare	53 656	22 914	–	–	–	–	76 570
SANRAL	–	–	–	–	–	(0.26)	(0.26)
	9 263 694	4 062 813	21 931 670	9 010 962	1 409 283	9 641 835	55 320 257
Other Organs of State	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	4 435 008	7 653 724	5 125 829	2 624 231	(1 113 437)	2 692 876	21 418 230
ESKOM	150 727	39 654	(98 860)	39 279	39 371	146 132	316 302
Ingonyama Trust Board	–	–	592 128	1 524 838	–	9 274 246	11 391 213
Telkom	795 094	872	(7 977)	104	196	1 355	789 643
Foskor	9 569 888	34 388 372	11 442	2 340 024	3 575 814	9 852 441	59 737 980
SA Post Office	6 747	7 022	21	–	–	(14 840)	(1 049)
Richards Bay IDZ	3 175 802	(215 973)	(5 505)	–	–	–	2 954 323
Mhlathuze Water Board	6 244 860	6 487 636	5 855 860	1 239 545.78	0.14	14 828 553	34 656 456
King Cetshwayo District Municipality	14 105 515	11 805 048	4 671 589	18 666 936	14 784 433	116 402 548	180 436 068
	38 483 641	60 166 355	16 144 526	26 434 957	17 286 376	153 183 312	311 699 166
Grand Total	52 373 289	68 282 649	51 999 253	38 513 503	20 752 423	164 617 513	396 538 630

NOTES:

OFFICIAL FINAL VERSION

RPT 174234
Page 18 of 38

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.

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 R434 746,63 as per **Annexure AO - DMS 1544363**.

Councillors' debt amounts to R19 405,49 as per **Annexure AN - DMS 1544363**.

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 July 2022 to 30 September 2022:

GLASS REPLACEMENT CLAIMS										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
21/07/2022	222022/2	Glass Replacement	V0401 - whilst driven by Ndlelenhle Ngwane - the side glass was shattered by a stone that picked up	V0401 - NRB 26772	R34		I&TS - Roads & S/Water			
08/08/2022	222022/4	Glass Replacement	V1259 - Driven by Ntokozo Ngobese - the drivers side window shattered when she tried to put it up	V1259 - NRB 26955	RichardsBay	607	Comms - Traffic	-	-	-
25/07/2022	222022/7	Glass Replacement	V1589 - Driven by Bhekokhwakhe Mdletshe - Rear glass fell and shattered	V1589 - NRB 56832	Macekana		I&TS - Roads & S/Water	-	-	-
19/07/2022	222022/10	Glass Replacement	V1427 - Hit a branch that broke the window glass	V1427 - NRB 59858	Esikawini	602	Comms - Waste dep	-	-	-
22/08/2022	222022/12	Glass Replacement	V1600 - Driven by Bhekokhwakhe Mdletshe - broken back window	V1600 -	Ngwelezane		I&TS - Rural roads	-	-	-
30/06/2022	222022/14	Glass Replacement	V1488 - Driven by Sibusiso Madansela - cracked window	V 1488 - NRB 94191		579	I&TS - Electrical	-	-	-
01/07/2022	222022/20	Glass Replacement	V1278 - Driven by James D. Myeni - Stone picked up from a passing vehicle and allegedly hit the windscreen and cracked it	V1278 - NRB 74208	Esikawini	626	I & IS - Street lights	-	-	-
31/08/2022	222022/21	Glass Replacement	V1467 - Driven by James D. Myeni - Driver notice a chip on the left corner of the windscreen. Cause unknown	V1467 - NRB 67821	RichardsBay	625	I & IS - Street lights	-	-	-
18/09/2022	222022/30	Vehicle Damage	V1497 - Driven by Lucas Phungula - the rim and tyre was damaged when he hit a pothole and the windscreen chipped by a stone	V1497 - NRB 37642	RichardsBay	644/64	Comms - Traffic	-	5 635.00	5 635.00
								-	5 635.00	5 635.00

THEFT CLAIMS									
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	AREA	TKT	EXCESS	DAMAGE	CLL COST	
24/08/2022	222022/15	Theft	Pinky Ngome's Car was broken into and laptop was stolen	RichardsBay		-	-	-	
07/09/2022	222022/23	Theft	Musawenkosi's laptop was stolen during an armed robbery at his premises in Macekane Reserve	Macekane		-	24 542.27	24 542.27	
10/09/2022	222022/32	Theft	Copper pipes and taps were stolen from Bucanana hall during a break in, the property was vandalized	Ntambanana	640	-	-	-	
						-	24 542.27	24 542.27	

DAMAGES TO COUNCIL VEHICLES										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
04/09/2022	222022/39	Tyre Damage	V2020 - Driven by Sibusiso Dlamini was involved in an incident and the tyres were damaged when he hit into the bridge whilst avoiding an oncoming car	V2020- NRB 99052	Ntambanana	630	I&TS -Water & Sanitation	-	-	-
13/07/2022	222022/3	Vehicle Damage	V1332 - driven by Thami Mbanjwa was damaged when the vehicle tyre burst and he hit into a truck tyre	V1332 - NRB 57032	RichardsBay		CS - ICT	5 000.00	17 608.33	17 608.33
18/07/2022	222022/5	Vehicle Damage	V1490 - Driven by Justice Mthembu - Left side of car (Passenger side) is Scratched	V1490 - NRB 91079	Port Dunford	589	Comms - Traffic	-	-	-
26/07/2022	222022/8	Vehicle Damage	V1655 - Driven by Mthokozisi Dube - Rollers Hydraulic oil cap damaged	V1655 -	Madlankala	599		-	-	-
16/08/2022	222022/9	Vehicle Damage	V1335 - Was parked off and NG Biyela driving NRB 56488 reversed into V1335 and damaged the front of it	V1335 - NRB 19037	RichardsBay	612	Comms - Halls	-	-	-
31/07/2022	222022/11	Vehicle Damage	Hit a pothole on farge road Richards bay and allegedly damaged front tyre		RichardsBay		I&TS - Roads	-	-	-
14/08/2022	222022/13	Vehicle Damage	V0419 - Driven by Sibonelo Dladla - front bumper & side step damaged	V0419 - NRB 29099	Ngwelezane	611	Comms - Waste removal	-	-	-
19/07/2022	222022/22	Vehicle Damage	V1374 - Driven by Nkosinathi J Mlambo - Was avoiding colliding with another vehicle and scratched a low laying cement wall	V1374 - NRB 89169	Empangeni	593	I & IS - Revenue Protection	-	6 983.38	6 983.38
30/08/2022	222022/25	Vehicle Damage	V1344- a window for the radio station fell onto and damaged the quad bike	V1344	RichardsBay	622	Comms - Beach		12 470.60	12 470.60
18/09/2022	222022/30	Vehicle Damage	V1497 - Driven by Lucas Phungula - the rim and tyre was damaged when he hit a pothole and the windscreen chipped by a stone	V1497 - NRB 37642	RichardsBay	644/64	Comms - Traffic	-	-	-
28/09/2022	222022/35	Vehicle Damage	V2025 - Driven by Lindokhule Makhunga was damaged when the tanker tipped over on a tp wall whilst driving on an uneven surface and soft sand	V2025 - NRB 99051	Esikhaleni	660	I&TS -Water & Sanitation	-	-	-
21/09/2022	222022/36	Vehicle Damage	V1418 - Driven by Blessed Mbokazi - was involved in an incident whereby he damaged V1454 when he accidentally reversed into it	V1418 - NRB 87709	Esikhaleni	656	Comms - Solid Waste	-	-	-
								5 000.00	37 062.31	37 062.31

PROPERTY DAMAGE										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
29/08/2022	222022/16	Property damage	V1429 - Driven by Bhekokwakhe Mdletshe, hit into a TP vehicle NRB 81210 and civic wall damaging both	V1429 - NRB 66793	RichardsBay	623	I&TS - Roads & S/Water	-	-	35 500.00
20/08/2022	222022/19	Property damage	Transformer fault, explosion inside pumproom, electrical cable were burnt.			617	I & IS - Water and Sanitation	-	-	-
								-	-	35 500.00

NOTES:

OFFICIAL FINAL VERSION

RPT 174234
Page 21 of 38

PUBLIC LIABILITY										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
02/07/2022	222022/1	Public Liability	Nomfundo Zibani Alleges that she fell into an open manhole and injured her left arm		Umhlathuze Village		I&TS - Roads & S/Water	-	-	-
05/08/2022	222022/6	Public Liability	Mariamamah Raj alleges that her property was damaged due to flooding caused by blocked drains after rains		Brackhenham			-	-	-
29/08/2022	222022/16	Public Liability	V1429 - Driven by Bhekokwakhe Mdletshe, hit into a TP vehicle NRB 81210 and civic wall damaging both	V1429 - NRB 66793	RichardsBay	623	I&TS - Roads & S/Water	-	-	-
08/08/2022	222022/17	Public Liability	Window shattered after a stone from grass cutters allegedly hit it.	NRB 15647	RichardsBay	606	Comms - Parks	-	-	-
04/07/2022	222022/18	Public Liability	B.S Zikhali allegedly damaged 22 Kudu Road's fence with a truck while cutting a tree			581	Comms - Parks	-	-	-
06/09/2022	222022/24	Public Liability	Davendari Naicker is claiming from Council for damages to her vehicle NRB 59669 allegedly caused by a stone during grass cutting		RichardsBay	631	Comms - Parks	-	25 000.00	2 907.66
02/09/2022	222022/26	Public Liability	While municipality workers were constructing the road the wall of stand no 038 (ward 10) Collapsed		Mzingazi		I&TS - Roads	-	25 000.00	-
04/7/2022	222022/27	Public Liability	Sihlenkosi Gazu is claiming from Council for damages to his fence allegedly caused whilst a tree was being cut by employees		Empangeni	581	Comms - Parks	-	25 000.00	11 400.00
12/09/2022	222022/28	Public Liability	Jabulani Zungu is claiming from Council for damages to his car side glass allegedly caused by a stone that picked up by a grass cutter		Esiskhaleni	638	Comms - Parks	-	25 000.00	-
07/09/2022	222022/29	Public Liability	Phumele Gumede is claiming from Council for damages to her vehicle allegedly caused by a collision with V1445	V1445 - NRB 87768	Ngwelezane	634	I&TS -Water & Sanitation	-	5 000.00	-
10/09/2022	222022/31	Public Liability	Bernice Odayar is claiming for damages to her property allegedly caused by flooding due to a burst water pipe		RichardsBay		I&TS -Water & Sanitation	-	25 000.00	-
21/09/2022	222022/33	Public Liability	V0483 - Driven by Praise God Mthimkhulu was involved in a TP collision with NUF 567	V0483 - NRB 19292	John Ross	651	Comms - Solid Waste	-	-	-
21/09/2022	222022/34	Public Liability	V1418 - Driven by Mkululeko Zikhali was involved in a TP collision with NP 221 - 830	V1418 - NRB 87709	RichardsBay	652	Comms - Solid Waste	-	-	-
16/09/2022	222022/37	Public Liability	P Mzimela is claiming from Council for damages to his vehicle allegedly by thieves -he parked outside because his driveway was dug up		Esiskhaleni		I&TS -Water & Sanitation	-	25 000.00	-
								-	155 000.00	14 307.66

Notes:

- Public liability claims remain problematic, damages allegedly caused during or after service delivery, grass cutting incidents of stones picking up and damaging property and vehicles and vehicle collisions.
- Thorough investigations must be done regarding the guard covers on the machines as well tool box talks should be done regularly on grass cutting and tree felling. 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.
- It is also noted that theft from Municipal property still occurs although there is security onsite.
- 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		
None			

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):

COST CONTAINMENT REPORT AS AT 30 SEPTEMBER 2022				
COST CONTAINMENT MEASURES	ADOPTED BUDGET 2022/23	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL SEPTEMBER 2022 (YTD)	SAVINGS
Advertisement&Marketing	3 517 300	879 325	550 342	328 983
Entertainment	350 000	87 500	35 286	52 214
Communications:SMS Bulk Message Service	1 522 800	380 700	86 211	294 489
Consultants Sevices	98 380 000	24 595 000	12 767 206	11 827 794
Contracted services - Cleaning Services	8 964 900	2 241 225	1 753 351	487 874
Contracted services - Security	68 262 600	17 065 650	12 420 569	4 645 081
Legal Advice and Litigation	11 540 600	2 885 150	524 094	2 361 056
Travel and subsistence allowance	2 522 100	630 525	681 670	(51 145)
TOTAL	195 060 300	48 765 075	28 818 730	19 946 345

4.4 OVER-EXPENDITURE

The table below represents Capital over-expenditures from 1 July to 30 September 2022:

CAPITAL OVER EXPENDITURE							
Financial Year	Over Expenditure number	Department	Section	SAP Project Number	SAP GL	Amount	Description
2023	2000004980	Community Services - Recreational and Environmental Services	Sports Grounds and Stadiums	N/DBAM02.001	1002020200	180 387 100	Additional projects as per EMCO decision. To be condoned in the 2022/23 Adjusted Budget
2023	2000004980	Corporate Services - Information Technology	Information Technology	N/BKAMA1.003	100700500	47 704 200	Additional projects as per EMCO decision. To be condoned in the 2022/23 Adjusted Budget
2023	2000004980	Electrical and Energy Supply Services	Fleet Management	N/BFAMA1.003	1003060100	4 000 000	Additional projects as per EMCO decision. To be condoned in the 2022/23 Adjusted Budget
2023	2000004980	Electrical and Energy Supply Services	Fleet Management	N/BFAMA1.006	1003060100	2 000 000	Additional projects as per EMCO decision. To be condoned in the 2022/23 Adjusted Budget
						234 091 300	

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

The following monthly budget statement tables (**DMS 1561482**) 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 September 2020, and the appeal of their sentence has still not been finalised.

- **Internal Audit**

There were 7 Follow ups in Quarter 1 of 2022/23 financial year. They are still in progress.

- **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. They are still teething problems that, from time to time, require the assistance of the SAP consultants.

DEMAND AND ACQUISITION MANAGEMENT

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

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Jul-22	58
Aug-22	62
Sep-22	48
	168

- **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 1544363**.

- **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 Four (4) deviations for the third quarter which amounts to R7 149 985 (Annexure AQ - DMS 1544363):

DEVIATIONS AS AT THE QUARTER ENDED 30 SEPTEMBER 2022				
	QUARTER 1		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value		
Electricity and Energy Services (EES)	3	6 477 985	3	6 477 985
Office of the Municipal Manager	1	672 000	1	672 000
Total	4	7 149 985	4	7 149 985

AWARDED TENDERS QUARTER 1 – 2022/23

MONTH	NUMBER OF AWARDS	TOTAL
Jul-22	3	13 735 538
Aug-22	7	287 987 597
Sep-22	3	29 353 547
TOTAL	13	331 076 682

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
43	21	6	BSC 12	1
			BEC 11	2
			BAC 13	0

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

Number of section 32 and value			
Number	The name of the Entity that SCM Regulation 32 was sourced from.	Awarded to	Total value of tenders awarded through SCM Regulation 32.
NONE			

APPROVAL OF TENDERS NOT RECOMMENDED	
	Total
Number of approved Tenders not recommended by Bid Evaluation in terms of supply chain management policy clause 29(7)(a)	0

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

	July	August	Sept	Total per group	% per SCM Policy	HDI	Percentages
Total spend per month	54,609,719.74	208,564,630.10	172,790,494.25	435,964,844.09			
State owned	-	8,758,656.30	622,816.00	9,381,472.30			
Total spend excluding state owned	54,609,719.74	199,805,973.80	172,167,678.25	426,583,371.79	0%	426,583,371.79	
Local - Black Women	9,952,457.26	21,712,141.51	20,192,871.88	51,857,470.65	30%	127,975,011.54	41%
Local - Black Youth	3,672,013.40	24,811,724.76	172,790,494.25	201,274,232.41	30%	127,975,011.54	157%
Local - Disabled	-	74,650.00	121,230	195,880.00	20%	85,316,674.36	0%
Military Veterans	-	-	-	-	20%	85,316,674.36	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:*

Objections and Complaints Table:

01 JULY TO 30 SEPTEMBER 2022	
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 49)	
Details of objections or complains for tenders	Letters received during the quarter for tender: Tender 8/2/1/UMH834-20/21: Supply install commission and maintain the Turnkey fleet management system for the City of uMhlathuze
Against the procurement process	N/A
Against the decision or action	Yes
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 49)	
Details of objections or complains for tenders	Tender 8/2/1/UMH7825-20/21: Upgrading of Richards Bay taxi/bus terminals
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	Umhlathuze Contstruction JV Zalopath (Pty) Ltd
MUNICIPAL BIDS APEALS TRIBUNAL (in terms of SCMP, clause 50A)	
Case referred by bidder	Umhlathuze Contstruction JV Zalopath (Pty) Ltd
RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES (In terms of SCMP, Clause 50)	
Details of decision or action and queries	Pending
taken in the implementation of the procurement process in terms of the supply chain management system; or	Pending
any matter arising from a contract awarded in the course of the supply chain management system;	None

CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 1	
Details	Number
Contracts Expiring in 6 months	51
Total Contracts Carried Over from 01/07/2022	170
Total Effective Contracts as at 30/09/2022	172
Total Contracts closed in Quarter 1	36
Total Captured in Quarter 1	38
Number of Contracts amended using 15% and 20 threshold	0

VARIATION ORDER AND EXPANSIONS Contracts which were amended using the 15% and 20% thresholds contained in MFMA Circular 62			
Number	Tender	Awarded to	Total Variance Order
	N/A	N/A	N/A

MONTHLY STOCK COUNT

The Stock Count results for quarter 1 ending 30 September 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	-

Note: The above table reflect figures for the period ended 30 June 2022, no stock take was conducted by the department as at 30 September 2022 owing to Audit Committee instruction to have this done at end of October 2022 to allow SCM to clear out Internal Audit findings.

PART 3 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting Table SC3 - Aged Debtors (**Annexure M – DMS 1561482**) for the month ended 30 September 2022.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N – DMS 1561482**) for the month ended 30 September 2022.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O – DMS 1561482**) for the month ended 30 September 2022.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and Grant receipts (**Annexure P – DMS 1561482**) and supporting table SC7 - Transfers and Grant expenditure (**Annexure Q – DMS 1561482**) for the month ended 30 September 2022.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and Staff Benefits (**Annexure R – DMS 1561482**) for the month ended 30 September 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 1544363)**.

Although the detailed Component 5 as **Annexure AM (DMS 1544363)**, 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 1544363)** each Vote is illustrated in number order on the extreme left, Vote details of which is illustrated over 3 pages):

DEPARTMENT	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	ACTUAL SEPTEMBER 2022 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	77 749 000	77 646 600	-	0%
CITY DEVELOPMENT	77 749 000	77 646 600	-	0%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	55 514 000	235 884 000	34 008 746	14%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	12 950 000	15 411 000	5 729 395	37%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	42 255 000	220 142 100	28 279 351	13%
COMMUNITY SERVICES - PROTECTION SERVICES	309 000	330 900	-	0%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	45 417 000	67 972 200	23 831 404	35%
CORPORATE SERVICES - ADMINISTRATION	35 508 000	35 508 000	(10)	0%
CORPORATE SERVICES - ICT	9 487 000	32 104 200	23 825 914	74%
CORPORATE SERVICES - LEGAL SERVICES	25 000	25 000	-	0%
CORPORATE SERVICES - HUMAN RESOURCES	397 000	335 000	5 500	2%
CHIEF FINANCIAL OFFICER	10 449 000	10 449 000	345 099	3%
FINANCIAL SERVICES	10 449 000	10 449 000	345 099	3%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	75 352 000	81 352 000	10 852 045	13%
ELECTRICAL SUPPLY SERVICES	75 352 000	81 352 000	10 852 045	13%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	570 425 000	570 121 200	139 588 775	24%
ENGINEERING SUPPORT SERVICES	123 116 000	123 116 000	27 893 555	23%
TRANSPORT, ROADS AND STORMWATER	101 209 000	70 905 200	3 400 337	5%
WATER AND SANITATION	346 100 000	376 100 000	108 294 883	29%
OFFICE OF THE MUNICIPAL MANAGER	170 000	135 000	-	0%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	170 000	135 000	-	0%
TOTAL CAPITAL BUDGET	835 076 000	1 043 560 000	208 626 069	20%

13. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G – DMS 1561482**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H – DMS 1561482**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U – DMS 1561482**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V – DMS 1561482**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W – DMS 1561482**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X – DMS 1561482**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y– DMS 1561482**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1561482**).

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

Refer to **DMS 1561125 (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 1544363)** 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.”

R26 809 647,58 (NPA vehicle licence pay over).

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

R22 285,00

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

R239 793 (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.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 30 September 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 1561482)** 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.