

15983

FINANCIAL REPORTING FOR THE QUARTER ENDED 31 DECEMBER 2022 (MID-YEAR)

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

PURPOSE

1. To submit to Council the financial position of the uMhlathuze Municipality for the quarter ended 31 December 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, 72 and Section 52(d) respectively are also included in this report.
2. It be noted that following the Mid-Year Review, suggested interventions for 2022/2023 Adjustments Budget to be considered in January 2023.

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 compliant
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all related financial policies
		5.1.1.4 Compliance with all MFMA and relevant local government financial legislation
	5.2.1 Sustainable Financial management (Expenditure and Revenue)	5.2.1.1 Provide continuous Internal Communication and support 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 Accurate and timeous payments of creditors
		5.2.1.6 Apply adequate financial management methodologies
	5.3.1 Supply Chain Management	5.3.1.1 Demand and acquisition management
		5.3.1.2 Accurate contracts and logistics management
		5.3.1.3 Apply adequate financial management methodologies

BACKGROUND

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

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

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

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

- (a) assess the performance of the municipality during the first half of the financial year, taking into account-*
 - (i) the monthly statements referred to in section 71 for the first half of the financial year;*
 - (ii) the municipality’s service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;*
 - (iii) the past year’s annual report, and progress on resolving problems identified in the annual report; and*
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and*
- (b) submit a report on such assessment to-*
 - (i) the mayor of the municipality;*
 - (ii) the National Treasury; and*
 - (iii) the relevant provincial treasury.”*

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

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

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

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

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

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

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

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

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

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

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

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

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source **Annexure AA (DMS 1563742)**;
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote **Annexure AB (DMS 1563742)**;
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote **Annexure AC - AK (DMS 1563742)**;
- ❑ Component 4: Ward information for expenditure and service delivery **Annexure AL and AM (DMS 1563742)**; and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years **Annexure AN (DMS 1563742)**.

DISCUSSION

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

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PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF DECEMBER 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 December 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 December 2022 (year to date actual) shows a surplus of R41 million. The performance in this area is **Acceptable**.

Capital Budget

Council is at the end of second quarter of the financial year and capital expenditure is at R491,8 million (45,47%). This is based on the Proposed Adjusted Budget of R1,08 billion. The performance in this area is **Acceptable but not ideal**.

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 0,82:1 (Cash in Bank against average monthly liability's – R260 945/R319 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 **Operating Budget**

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

DESCRIPTION	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL DECEMBER 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue	3 998 304 000	2 189 593 800	2 044 960 937	93,39%
Expenditure	4 071 959 500	2 107 789 042	2 003 948 874	95,07%
Operating Surplus/(Deficit)	(73 655 500)	81 804 758	41 012 063	

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 0,82:1 (260 945/319 006).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 31/12/2022	ACTUAL EXPENDITURE AS AT 31/12/2022	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY					
Equitable Share	471 939 000	341 369 000	235 969 500	50%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services.
Intergrated Urban Development Grant-IUDG	147 172 000	88 303 000	91 353 087	62%	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	808 087	32%	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	12 831 545	26%	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	2 250 000	914 584	28%	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	3 994 975	80%	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	446 422 000	345 871 777	51%	

NOTES:

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DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 31/12/2022	ACTUAL EXPENDITURE AS AT 31/12/2022	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	9 593 000	-	16 256 220	169%	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	-	1 492 420	73%	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	9 740 516	307%	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	235 000	1 808 758	770%	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	3 629 084	29 297 913	113%	
TOTAL GRANTS AND SUBSIDIES	705 805 800	292 738 084	296 513 191	42%	

3.4 Capital Budget Summary

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

FUNCTION	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	ACTUAL DECEMBER 2022 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	%
Finance and Administration	51 927 000	113 382 900	53 353 986	47,06%
Community and Social Services	47 503 000	42 182 700	5 983 165	14,18%
Energy Sources	51 602 000	56 265 400	38 901 698	69,14%
Executive and Council	141 000	106 000	28 804	27,17%
Environmental Protection	2 500 000	4 500 000	381 545	8,48%
Air Transport - Air port	11 500 000	14 800 000	2 662 585	17,99%
Planning and Development	48 603 000	50 420 500	273 897	0,54%
Public Safety	2 337 000	2 399 900	358 583	14,94%
Road Transport	132 137 000	112 433 200	21 250 909	18,90%
Sport and Recreation	41 805 000	220 066 100	67 835 916	30,83%
Waste Management	11 802 000	10 872 800	233 798	2,15%
Waste Water Management	121 800 000	103 409 900	51 842 540	50,13%
Water	311 419 000	350 769 300	248 722 618	70,91%
	835 076 000	1 081 608 700	491 830 045	45,47%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	ACTUAL DECEMBER 2022 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
	R	R	R	%
Borrowing	390 000 000	598 387 100	278 119 134	46,48%
Capital Replacement Reserve	240 018 000	259 363 600	111 477 757	42,98%
Integrated Urban Development Grant	139 814 000	139 814 000	86 163 322	61,63%
Government Grants - National	54 300 000	72 600 000	15 038 796	20,71%
Government Grants - Provincial	10 944 000	11 444 000	1 031 035	9,01%
TOTAL	835 076 000	1 081 608 700	491 830 045	45,47%

3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL DECEMBER 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 164 608 100	568 815 500	521 100 966	91,61%
Remuneration of Councillors	37 291 100	18 645 600	16 469 248	88,33%
Debt Impairment	172 510 200	86 255 400	87 013 139	100,88%
Depreciation and asset impairment	326 552 300	163 279 800	166 771 515	102,14%
Finance Charges	72 864 600	36 433 200	37 259 302	102,27%
Bulk Purchases - Electricity	1 258 204 000	668 868 900	643 966 657	96,28%
Inventory consumed - Water	401 327 100	207 194 188	149 883 253	72,34%
Inventory consumed - Materials	156 165 000	80 623 712	97 212 724	120,58%
Contracted Services	395 567 400	188 465 900	172 758 773	91,67%
Transfers and grants	14 216 900	10 609 400	5 670 494	53,45%
Other Expenditure	327 827 100	163 913 550	171 484 803	104,62%
Losses - Water Inventory (Note 1)	214 797 800	110 505 600	172 424 559	156,03%
Inventory consumed - Capitalisation (Note 2)	(469 972 100)	(195 821 708)	(238 066 558)	121,57%
TOTAL	4 071 959 500	2 107 789 042	2 003 948 874	95,07%

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

Refer to Section 5 in this report for the Proposed 2022/23 Adjusted Budget figures.

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 DECEMBER 2022 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	681 140 100	349 114 200	335 656 110	96,15%
Service Charges – Electricity revenue	1 857 292 200	995 269 200	941 587 351	94,61%
Service Charges – Water revenue	511 400 700	258 286 300	264 249 973	102,31%
Service Charges – Sanitation revenue	114 066 300	58 799 400	59 948 671	101,95%
Service Charges – Refuse revenue	114 115 200	57 389 300	53 311 786	92,89%
Rental of facilities and equipment	6 477 100	3 238 550	4 962 348	153,23%
Interest earned – external investments	66 700 000	33 350 000	16 981 400	50,92%
Interest earned – outstanding debtors	128 000	64 000	-	0,00%
Fines, penalties and forfeits	57 681 000	28 840 500	2 082 836	7,22%
Licences and permits	3 525 900	1 762 950	1 375 673	78,03%
Agency services	6 179 400	3 089 700	2 042 836	66,12%
Operating Transfers and Subsidies	504 462 000	381 777 300	348 150 613	91,19%
Other Revenue	37 224 800	18 612 400	14 611 341	78,50%
Gains - Employee related costs	37 911 300	-	-	0,00%
TOTAL OPERATING REVENUE	3 998 304 000	2 189 593 800	2 044 960 937	93,39%

The above table represents operating revenue by source as at 31 December 2022.

Refer to Section 5 in this report for the Proposed 2022/23 Adjusted Budget figures.

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

DETAILS	ADOPTED BUDGET 2022/23	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL DECEMBER 2022 (YTD)	% ADOPTED BUDGET SPENT
	R	R	R	
Fines:Illegal Connections	1 397 400	698 700	384 712	55%
Fines:Overdue Books	16 000	8 000	1 253	16%
Fines:Pound Fees	100	50	3 570	7140%
Fines:Traffic:Court Fines	391 500	195 750	-	0%
Fines:Traffic:Municipal	50 317 300	25 158 650	735 611	3%
Forfeits:Deposits	1 161 400	580 700	564 264	97%
Fines:Motor Vehicle Licence	1 100	550	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	4 396 200	2 198 100	393 425	18%
TOTAL	57 681 000	28 840 500	2 082 835	7%

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

3.7 Creditors Age Analysis

Creditors age analysis by customer type

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	61 - 90 Days	121 - 150 Days	181 Days - 1 Year	Over 1 Year	Total
	R	R	R	R	R	R	R
Bulk Electricity	97 610 050	-	-	-	-	-	97 610 050
Bulk Water	21 439 704	20 375 220	19 863 849	-	-	-	61 678 773
PAYE deductions	17 007 963	14 451 880	-	-	-	-	31 459 843
Pensions / Retirement deductions	13 293 614	-	-	-	-	-	13 293 614
Trade Creditors	2 481 046	5 368	3 050	5 012 420	2 801 171	1 099 362	11 402 417
Other	11 986	2 300	-	-	-	-	14 286
Total By Customer Type	151 844 363	34 834 767	19 866 899	5 012 420	2 801 171	1 099 362	215 458 982

The above table represents the ageing of creditors outstanding as at 31 December 2022. As per the National Treasury Circular 71 uniform rations the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of December 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	R 1 099 362,00	Invoice in dispute as it relates to services for the former Ntambanana Municipality

3.7 Debtors Age Analysis

➤ Debtors Age Analysis by Category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	169 702 577	41 210 807	32 402 889	242 878 506	486 194 778
Business	152 771 528	6 546 377	4 999 302	78 781 823	243 099 029
Households	36 228 066	6 687 790	6 882 860	197 425 920	247 224 636
Other	838 767	408 575	374 057	3 998 658	5 620 056
Total	359 540 937	54 853 548	44 659 107	523 084 907	982 138 499
%	36,61%	5,59%	4,55%	53,26%	

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:

<i>Formula (As per circular 71)</i>	<i>Norm</i>
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%		96,84%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance Dec 2022	828 319 507	
			Gross Debtors opening balance Jan 2022	756 365 452	
			Bad debts written Off Jan 2022 to Dec 2022	29 739 962	
			Billed Revenue Jan 2022 - Dec 2022	3 214 685 391	

➤ Net Debtors Days

This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services. The Ratio exclude balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful Debts:

<i>Formula (As per circular 71)</i>	<i>Norm</i>
((Gross Debtors - Bad Debt Provision) / Billed Revenue)) × 365	The norm is 30 Days

PAYMENT RATIO						
NETT DEBTORS IN DAYS						
2	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Billed Revenue)) x 365	30 days		77,37 days	Please refer to page 6 of MFMA Circular No. 71
				Gross Debtors closing balance Dec 2022	828 319 507	
				Bad debts Provision 2022 / 2023	146 879 700	
				Billed Revenue Jan 2022 - Dec 2022	3 214 685 391	

➤ **Top 10 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	Government	11 716 313	5 529 719	6 684 084	5 096 591	70 359 951	99 386 659
501543	Government	4 495 652	2 284 845	4 503 801	5 008 197	65 641 787	81 934 282
1854904	Private Business	-	-	-	-	22 377 590	22 377 590
531788	State Owned Entity	-	6 526 103	0	0	14 802 650	21 328 753
551583	Government	1 002 236	1 100 021	1 088 143	1 297 250	10 165 823	14 653 473
1610626	Private Business	-	-	-	-	6 106 823	6 106 823
416383	Rentals CONTINGENT	75 888	75 888	75 888	75 888	5 137 594	5 441 145
2289941	Private Business	-	-	-	-	5 044 907	5 044 907
2328365	State Owned Entity	-	-	-	-	4 615 650	4 615 650
1632348	State Owned Entity	1 004 989	1 056 147	402 725	409 873	4 370 794	7 244 528
		18 295 078	16 572 723	12 754 641	11 887 798	208 623 569	268 133 809

Government Debt

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

NATIONAL GOVERNMENT DEPARTMENTS							
	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	10 903 470	94 394	441 388	391 442	332 070	3 531 335	15 694 098
Dept of Agriculture and Rural Development & Land Reform	12 072	-	-	-	-	234 221	246 293
Department of Water Affairs and Sanitation	-	-	-	-	-	-2 402 476	-2 402 476
	10 915 542	94 394	441 388	391 442	332 070	1 363 080	13 537 915
PROVINCIAL GOVERNMENT DEPARTMENTS							
	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Provincial Public Works	36 290	33 694	-176 742	21 142	21 283	4 277 950	4 213 617
Education	1 489 307	306 142	739 681	471 852	526 176	5 164 130	8 697 288
Tvet Colleges	2 446 144	297 783	651 729	625 725	9 857	1 817 338	5 848 578
Human Settlement	47 998	6 905	4 181	4 600	5 879	619 620	689 182
Department of Transport	122 715	147 827	190 758	167 292	118 887	353 318	1 100 796
Department of Health	2 830 850	2 138 183	2 264 899	3 531 149	1 672 807	4 662 058	17 099 946
Department of Social Welfare	71 308	1 967	57 490	-	-	-	130 766
	7 044 613	2 932 501	3 731 997	4 821 760	2 354 890	16 894 413	37 780 174
OTHER ORGANS OF STATE							
	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	5 049 845	9 052 199	6 960 413	2 701 321	1 979 810	2 815 628	28 559 217
ESKOM	103 248	97 231	18 769	47 558	37 543	158 986	463 335
Ingonyama Trust Board	-	-	-	-	-	11 406 271	11 406 271
Telkom	643 635	1 294	3 680	798	798	2 431	652 635
Foskor	9 148 877	14 323 827	8 434 023	4 402 954	2 240 644	3 230 619	41 780 944
SA Post Office	8 758	7 765	-	-	-	-11 157	5 366
Richards Bay IDZ	2 915 335	4 300	-	-	-	-5 503	2 914 132
Mhlathuze Water Board	4 175 306	4 005 422	10 731 583	6 244 861	6 487 636	21 923 959	53 568 768
King Cetshwayo District Municipality	12 371 578	6 858 780	10 578 658	13 391 421	12 192 837	150 358 315	205 751 590
	34 416 582	34 350 819	36 727 125	26 788 912	22 939 269	189 879 550	345 102 257
GOVERNMENT ACCOUNTS IN DISPUTE							
	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Government accounts in Dispute	-	-	-	-	-	2 411 923	2 411 923
Grand Total	52 376 737	37 377 714	40 900 509	32 002 114	25 626 228	208 137 043	398 832 270

3.8 Employee Debt / Councillor Debt

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

Employees' debt amounts to R342 776,47 as per **Annexure AP - DMS 1563742**.

Councillors' debt amounts to R19 922,97 as per **Annexure AO - DMS 1563742**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES - FOR ENTIRE MUNICIPALITY

4.1 LOSSES TO COUNCIL'S PROPERTY

The table below represents losses to Council's property for the period 1 October to 31 December 2022:

GLASS REPLACEMENT CLAIMS									
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
07/10/2022	222022/44	Glass Replacement	V1392 - Driven by Nicholas Magwaza - windscreen was chipped by a stone that picked up by a passing vehicle	V1392 - NRB 89109	UVS	I&TS - Roads & S/Water	0,00	598,00	598,00
							0,00	598,00	598,00

HIJACKING CLAIMS									
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
04/10/2022	222022/38	Hijacking	V0309 - Driven by Msawenkosi Manqele was hijacked at gunpoint by 3 unknown males	V0309 - NRB 77745	Mevamhlope	I&TS -Water & Sanitation	0,00	534 170,00	534 170,00
							0,00	534 170,00	534 170,00

PUBLIC LIABILITY CLAIMS									
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
07/10/2022	222022/45	Public Liability	V0432 - Driven by Boxer Ngema - damaged a TP vehicle - JM 34 PC GP whilst Driver of V0432 was reversing to make way for a taxi	V0432 - NRB 41594	Empangeni	Comms - Waste			

DAMAGES TO COUNCIL VEHICLES									
DATE	AIM NUMB	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
15/10/2022	222022/40	Vehicle Damage	V1417 - Driven by Nhlakanipho Nsibande - was damaged when the compactor overturned as the driver tried to avoid other vehicles as the brakes allegedly failed	V1417 - NRB 92560	Matshana	Comms - Solid Waste	-	-	-
25/10/2022	222022/46	Vehicle Damage	V1589 - Driven by Sibongakaliso Mkhwanazi was damaged when the TLB got stuck in mud whilst working and damaged a TP fence whilst removing the TLB with an excavator	V1589 - NRB 56832	Esikhaleni	I&TS - Roads & S/Water	-	-	-
31/10/2022	222022/48	Vehicle Damage	V2020 - Driven by Sibusiso Dlamini was involved in a collision with V2017 whilst he was reversing - both vehicles were damaged	V2020 - NRB 99052	Empangeni	I&TS - Water & Sanitation	-	-	-
31/10/2022	222022/48	Vehicle Damage	V2020 - Driven by Sibusiso Dlamini was involved in a collision with V2017 whilst he was reversing - both vehicles were damaged	V2017 - NRB 33462	Empangeni	I&TS - Water & Sanitation	-	-	-
17/12/2022	222022/50	Vehicle Damage	V1347 - Driven by Sipho Mkhize was damaged when he swerved out of the way to avoid pedestrians standing on the road	V1347 - NRB 89173	Nseleni	I&TS - Water & Sanitation	-	-	-
07/12/2022	222022/51	Vehicle Damage	V1653 - operated by K Ndulini was damaged allegedly due to the vibrations whilst working on gravel areas	V1653 - NRB 69365	Nseleni	I&TS - Water & Sanitation	-	-	-

NOTES:

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- 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 there are unresolved claims and monetary value of the claims are exceptionally high.
- There has also been incidents of trees falling over and allegedly causing damage to private property. 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, the urgency of this cannot be expressed enough.
- Since trackers were installed in Council vehicles the theft of vehicles had stopped for a few years but, unfortunately in the last quarter we have had a hijacking.
- 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		
2022/12/19	28 152 000,00	Erf 15424	Mambuka Mandlazini Community Trust

4.3 **COST CONTAINMENT POLICY**

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

ANNEXURE D: COST CONTAINMENT REPORT AS AT 31 DECEMBER 2022				
COST CONTAINMENT MEASURES	ADOPTED BUDGET 2022/23	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL DECEMBER 2022 (YTD)	SAVINGS
Advertisement&Marketing	4 773 200	2 386 600	1 354 736	1 031 864
Artists and Performers	594 900	297 450	262 640	34 810
Catering Services	3 286 100	1 643 050	1 646 245	(3 195)
Entertainment	350 000	175 000	134 097	40 903
Communications:SMS Bulk Message Service	1 172 800	586 400	328 479	257 921
Internal Audit Fees	6 359 400	3 179 700	4 884 614	(1 704 914)
Consultants Seivces	105 652 600	52 826 300	63 806 916	(10 980 616)
Contracted services - Cleaning Services	9 488 600	4 744 300	3 850 358	893 942
Contracted services - Security	72 220 600	36 110 300	31 517 622	4 592 678
Legal Advice and Litigation	11 724 100	5 862 050	4 211 469	1 650 581
Travel and subsistence allowance	3 891 100	1 945 550	1 654 822	290 728
Vehicle hire for Public office bearers	159 200	79 600	156 415	(76 815)
TOTAL	219 672 600	109 836 300	113 808 411	(3 972 111)

5. **PROPOSED ADJUSTED BUDGET FOR CONSIDERATION IN JANUARY 2023**

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

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

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

As a result of the above, an adjusted budget is necessary and will be submitted to Council in January 2023. A recommendation has been included as follows:

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

5.1 Proposed Capital Budget

The table below represents Proposed 2022/23 Capital budget:

FUNCTION	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Finance and Administration	51 927 000	113 382 900	61 455 900
Community and Social Services	47 503 000	41 932 700	(5 570 300)
Energy Sources	51 602 000	56 265 400	4 663 400
Executive and Council	141 000	106 000	(35 000)
Environmental Protection	2 500 000	4 750 000	2 250 000
Air Transport - Air port	11 500 000	14 800 000	3 300 000
Planning and Development	48 603 000	50 420 500	1 817 500
Public Safety	2 337 000	2 399 900	62 900
Road Transport	132 137 000	112 433 200	(19 703 800)
Sport and Recreation	41 805 000	220 066 100	178 261 100
Waste Management	11 802 000	10 872 800	(929 200)
Waste Water Management	121 800 000	103 409 897	(18 390 103)
Water	311 419 000	350 769 303	39 350 303
	835 076 000	1 081 608 700	246 532 700

The total proposed 2022/23 Adjusted Capital budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Borrowing	390 000 000	598 387 100	208 387 100
Capital Replacement Reserve	240 018 000	259 363 600	19 345 600
Integrated Urban Development Grant	139 814 000	139 814 000	-
Government Grants - National	54 300 000	72 600 000	18 300 000
Government Grants - Provincial	10 944 000	11 444 000	500 000
TOTAL	835 076 000	1 081 608 700	246 532 700

5.2 Proposed Operating Adjusted Budget

The Proposed Adjustment Budget 2022/23 Operating Expenditure figures are indicated below:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTMENT BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Employee related costs	1 164 608 100	1 142 648 200	(21 959 900)
Remuneration of Councillors	37 291 100	37 291 100	-
Debt Impairment	172 510 200	172 510 200	-
Depreciation and asset impairment	326 552 300	340 536 500	13 984 200
Finance Charges	72 864 600	88 221 900	15 357 300
Bulk Purchases - Electricity	1 258 204 000	1 236 241 700	(21 962 300)
Bulk Purchases - Water	401 327 100	401 327 100	-
Other Materials	156 165 000	171 908 300	15 743 300
Contracted Services	395 567 400	464 066 000	68 498 600
Transfers and grants	14 216 900	9 528 000	(4 688 900)
Other Expenditure	327 827 100	350 506 800	22 679 700
Losses - Water Inventory (Note 1)	214 797 800	214 797 800	-
Inventory consumed - Capitalisation (Note 2)	(469 972 100)	(469 972 100)	-
TOTAL OPERATING EXPENDITURE	4 071 959 500	4 159 611 500	87 652 000

The Proposed Adjustment Budget 2022/23 Operating Adjusted Revenue figures are indicated below:

REVENUE BY SOURCE	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTMENT BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Rates	681 140 100	680 990 200	(149 900)
Service Charges – Electricity revenue	1 857 292 200	1 866 242 400	8 950 200
Service Charges – Water revenue	511 400 700	491 148 100	(20 252 600)
Service Charges – Sanitation revenue	114 066 300	114 066 300	-
Service Charges – Refuse revenue	114 115 200	106 813 300	(7 301 900)
Rental of facilities and equipment	6 477 100	6 976 500	499 400
Interest earned – external investments	66 700 000	66 700 000	-
Interest earned – outstanding debtors	128 000	28 000	(100 000)
Fines, penalties and forfeits	57 681 000	57 691 000	10 000
Licences and permits	3 525 900	3 525 900	-
Agency services	6 179 400	6 179 400	-
Operating Transfers and Subsidies	504 462 000	525 345 100	20 883 100
Other Revenue	37 224 800	40 085 200	2 860 400
Gains - Employee related costs	37 911 300	37 911 300	-
Capital Grants and Subsidies	205 058 000	223 858 000	18 800 000
TOTAL REVENUE	4 203 362 000	4 227 560 700	24 198 700
Less: Capital Revenue			
Capital Grants and Subsidies	(205 058 000)	(223 858 000)	(18 800 000)
TOTAL OPERATING REVENUE	3 998 304 000	4 003 702 700	5 398 700

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

DESCRIPTION	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTMENT BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Revenue (excluding capital grants)	3 998 304 000	4 003 702 700	5 398 700
Expenditure	4 071 959 500	4 159 611 500	87 652 000
Surplus/(Deficit)	(73 655 500)	(155 908 800)	(82 253 300)

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1576483**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

7. SUPPLY CHAIN MANAGEMENT POLICY

LEGISLATIVE FRAMEWORK

- Supply Chain Management Policy
- Contract Management Policy

SUPPLY CHAIN MANAGEMENT POLICY

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

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

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

CONTRACT MANAGEMENT POLICY

- **Statutory reporting and compliance**

Clause 7(4) of Contract Management Policy requires Contract Management Unit to maintain contract register and Provincial Circular No. 2 of 2016/2017 in relation to Contract Management also required all municipalities to submit updated Contract Registers by the 7th of every month. As from 7 December 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 filled during the quarter under review:

POSITION	REASON FOR VACANCY	STATUS
SCM Practitioner – Acquisitions Management	Promotion	Selection process underway
Administrative Officer – Bid Administration	Dismissed in March 2020 and Lost Appeal	Selection Process
Fuel Attendant - Logistics	Retirement	Recruitment process underway
Accountant Bid Administration	New position	Appointed 1 November 2022
Bid Administrators X4 – 12 Months Fixed Term	New Position	Appointed 1 November 2022

- **Internal Audit**

There was one internal audit in Quarter 2 of 2022/23 financial year for Procurement Plans 2022/23.

- **Training and workshops**

The Supply Chain Management Policy, Clause 8, the training of officials involved in implementing the Supply Chain Management Policy should be in accordance with National Treasury guidelines on Supply Chain Management Training. The following training was attended:

Date	Number of Beneficiaries	Training/Workshop	Service Provider
28-Nov-22	8	Rollout of Preferential Procurement Regulations of 2022	National Treasury

DEMAND AND ACQUISITION MANAGEMENT

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

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Oct-22	25
Nov-22	29
Dec-22	29
	83

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

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

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

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

A list of orders in excess of R100 000 is included under - **Annexure AQ on DMS 1563742.**

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

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

There were seven (3) deviations for the second quarter which amounts to R7 482 026 (Annexure AS - DMS 1563742):

DEVIATIONS AS AT THE QUARTER ENDED 31 DECEMBER 2022						
	QUARTER 1		QUARTER 2		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value	No.	Value		
Corporate Services (CS)	-	-	2	1 470 739	2	1 470 739
Electricity and Energy Services (EES)	3	6 477 985	1	6 011 287	4	12 489 272
Office of the Municipal Manager	1	672 000		-	1	672 000
Total	4	7 149 985	3	7 482 026	7	14 632 011

AWARDED TENDERS FOR THE SECOND QUARTER

MONTH	NUMBER OF AWARDS	TOTAL
Oct-22	0	-
Nov-22	2	1 971 166
Dec-22	5	95 782 521
TOTAL	7	97 753 687

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
14	9	4	BSC 11	3
			BEC 15	1
			BAC 18	5

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

- **Purchase Order report reflecting how SCM performed on each category in Quarter 2:**

	October	November	December	Total per group	% per SCM		
					Policy	HDI	Percentages
Total spend per month	175,362,060.38	153,956,043.33	154,490,504.61	483,808,608.32			
State owned	19,211,048.32	18,173,122.74	63,823.00	37,447,994.06			
Total spend excluding state owned	156,151,012.06	135,782,920.59	154,426,681.61	446,360,614.26	0%	446,360,614.26	
Local - Black Women	29,138,349.15	26,646,786.40	19,903,815.88	75,688,951.43	30%	133,908,184.28	57%
Local - Black Youth	9,542,721.07	26,485,157.46	24,946,035.04	60,973,913.57	30%	133,908,184.28	46%
Local - Disabled	229,200.00	-	-	229,200.00	20%	89,272,122.85	0%
Military Veterans	-	-	196,107	196,107.00	20%	89,272,122.85	0%

- **Report on Objections and Complaints**

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

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

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

(b) Objections and Complaints Table:

01 OCTOBER TO 31 DECEMBER 2022	
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 49)	
Details of objections or complains for tenders	8/2/1/Umh986-21/22 Provision of Professional Consulting Engineering Services for Updating and Implementation of Projects Related to Built and Civil Environment for a 3 Year Period (Panel of Consultants as and when Required).
Against the procurement process	N/A
Against the decision or action	Yes
MUNICIPAL BIDS APEALS TRIBUNAL (in terms of SCMP, clause 50A)	
Case referred by bidder	None
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 2	
Details	Number
Contracts Expiring in 6 months	58
Total Contracts Carried Over from 01/10/2022	172
Total Effective Contracts 2022/23 - Quarter 2	164
Total Contracts closed in 2022/23 - Quarter 2	28
Total Captured in Quarter 2	20
Number of Contracts amended using 15% and 20 threshold	0

- **Monthly Stock Count**

The stock count results for quarter 2 ending 31 December 2022 are as follows:

STOCK TAKE RECONCILLIATION FOR THE PERIOD ENDED 31 DECEMBER 2022	
DESCRIPTION	AMOUNT
Stock value before stocktake	41 082 188,48
Issues During Stock Take	-97 994,39
Receipts During Stock take	492 850,00
Stock Written off	-
Stock value after stocktake	41 477 044,09
Stock Value Report After Stock Take	44 032 167,16
Less: Bulk Water Clarified	-26 747,83
Less: Bulk Water Potable	-2 528 375,24
Stock Value After Stock Take	41 477 044,09
Differences	-

Stock Items proposed for Write Off

Material	Material Description	Book quantity	Amount
30000228	Shirt Golf	870,00	104 400,00
30000227	Overall Smock Reflective (Royal Blue)	229,00	39 846,00
30000017	Shirt T Dark PMS 349 (Green)	569,00	27 312,00
30000230	T Shirt Designer (Stone_Royal Blue)	34,00	1 020,00
			172 578,00

Note: Items above are proposed for write off, the list is made out of old PPE in blue colour with old logo. The City has changed its PPE items twice from the model above, the items cannot be issued for use and are to be written off on adoption of the report.

Included as Recommendation number 4 as follows:

“4. redundant stock to the value of R 172 578 be written off as it has no re-use purpose;”

PART 3 - SUPPORTING DOCUMENTATION

8. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 December 2022.

9. CREDITORS ANALYSIS

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

10. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 31 December 2022.

11. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

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

12. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

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

The first quarter progress on the quarterly projections of Service Delivery Targets and performance indicators is indicated on **Annexures AN**.

Although the detailed Component 5 **is attached as Annexure AN**, the tables below depict a summary of the most applicable components thereof.

NB: (Please note when looking at the detailed version of Component 5 **attached as Annexure AN** each vote is illustrated in number order on the extreme left, vote detail of which is illustrated over 3 pages):

DEPARTMENT	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	ACTUAL DECEMBER 2022 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	77 749 000	77 346 600	587 370	1%
CITY DEVELOPMENT	77 749 000	77 346 600	587 370	1%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	55 514 000	237 483 800	75 279 937	32%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	12 950 000	15 487 000	6 406 986	41%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	42 255 000	221 665 900	68 866 951	31%
COMMUNITY SERVICES - PROTECTION SERVICES	309 000	330 900	6 000	2%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	45 417 000	85 822 100	40 953 480	48%
CORPORATE SERVICES - ADMINISTRATION	35 508 000	35 528 000	8 325 912	23%
CORPORATE SERVICES - ICT	9 487 000	49 934 100	32 622 068	65%
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	10 461 400	762 079	7%
FINANCIAL SERVICES	10 449 000	10 461 400	762 079	7%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	75 352 000	85 492 000	52 588 789	62%
ELECTRICAL SUPPLY SERVICES	75 352 000	85 492 000	52 588 789	62%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	570 425 000	584 867 800	321 629 586	55%
ENGINEERING SUPPORT SERVICES	123 116 000	119 852 600	44 260 320	37%
TRANSPORT, ROADS AND STORMWATER	101 209 000	89 205 200	6 923 576	8%
WATER AND SANITATION	346 100 000	375 810 000	270 445 690	72%
OFFICE OF THE MUNICIPAL MANAGER	170 000	135 000	28 804	21%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	170 000	135 000	28 804	21%
TOTAL CAPITAL BUDGET	835 076 000	1 081 608 700	491 830 045	45%

14. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding (**Annexure G**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding (**Annexure H**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**).
- ❑ Table SC13A - Monthly capital expenditure on new assets by asset class (**Annexure V**).
- ❑ Table SC13B - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**).
- ❑ Table SC13C - Monthly repairs and maintenance expenditure by asset class (**Annexure X**).
- ❑ Table SC13D - Monthly depreciation by asset class (**Annexure Y**).

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

Refer to **DMS 1577119 (Annexure AR)**.

PART 4 - OTHER LEGISLATION REQUIREMENTS

16. **WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003) the Accounting Officer must within 30 days after the end of each quarter table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AT (DMS 1563742)** for Form D.

“Withdrawals from municipal bank accounts-

“(a) to defray expenditure authorised in terms of Section 26(4).”

None

“(b) to defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1).” See table below.

The tables below indicate the unforeseeable and unavoidable expenditure:

FUNCTION	FUNCTION DESCRIPTION	PROJECT	PROJECT DESCRIPTION	COMMITMENT ITEM	COMMITMENT ITEM DESCRIPTION	OVER-EXPENDITURE
AS	Mayor and Council	W/AS7BA1.076	Ingoma Festival	4400002800	IE:CS:Contr:Artists and Performers	(59 500)
AS	Mayor and Council	W/AS7BA1.076	Ingoma Festival	4400006100	IE:CS:Catering Services	(79 000)
BK	Information Technology	D/BK7BA1.001	OP Cost IT	4400006700	IE:CS:Internal Auditors	(1 680 411)
DM	Water Distribution - Rural Water	D/DM6BA1.001	OP Cost Rural Water	4450000100	IE:Consumption:Fuel & Oil	(129 536)
BF	Fleet Management	V/BF7BA1.004	Corr. Emergency Maint Fleet	4450000300	IE:Inventory Consumed:Materials and Supplies	(33 084)
BZ	Corporate Wide Strategic Plan (IDPs, LED	W/BZ40A1.001	Employment Incentive Initiative	4500000300	IE:Op Cost:Adver&Market:Corp&Municipal Activities	(19 278)
BJ	Training and Industrial Relations	D/BJ7BA1.004	OP Cost Training & Ind Rel: OH&S	4500000700	IE:Op Cost:Adver,Pcity&Market:Signs	(1 690)
BI	Occupational Clinic	D/BI7BA1.001	OP Cost Clinic	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(8 738)
AI	Elect: Marketing and Customer relations	D/AI3BA1.001	OP Cost Marketing	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(8 066)
DO	Water Distribution - Water Demand Mngmnt	D/DO6BA1.001	OP Cost Water dem. Mngmnt	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(2 690)
BJ	Training and Industrial Relations	D/BJ7BA1.005	OP Cost Training & Ind Rel: EAP	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(2 048)
BC	DMM - Chief Operations Officer	D/BC7BA1.001	OP Cost DMM COO	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(1 373)
AA	Cemeteries	D/AA7BA1.001	OP Cost Cemeteries	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(1 350)
BR	Valuation Service	D/BR7BA1.001	OP Cost Valuation serv.	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(1 308)
AW	DMM - City Development	D/AW7BA1.001	OP Cost MSI Grant	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(1 043)
BM	Marketing, Customer Relations & Publicit	D/BM7BA1.001	OP Cost Publicity	4500002100	IE:Op Cost:Telephone, Fax, Telegraph and Telex	(695)
BF	Fleet Management	D/BF7BA1.001	OP Cost Fleet	4500003800	IE:Op Cost:Insurance:Excess Payments	(201 452)
AS	Mayor and Council	D/AS7BA1.001	OP Cost Mayoral	4500004700	IE:Op Cost:Professi Bodies,Membership&Subscription	(812 825)
CK	Fire Fighting and Protection	D/CK7BA1.001	OP Cost Fire fighting	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	(15 675)
DN	Water Distribution - Urban Water	D/DN6BA1.001	OP Cost Urban Water	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	(3 426)
DS	Revenue and Expenditure	D/DS7BA1.001	OP Cost Rev & Exp	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	(800)
AL	Electricity: Distribution	D/AL3BA1.001	OP Cost Electr & Gas	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	(602)
BC	DMM - Chief Operations Officer	D/BC7BA1.001	OP Cost DMM COO	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	(275)
AS	Mayor and Council	W/AS7BA1.076	Ingoma Festival	4500008100	IE:Op Cost:Hire Charges:Transport Assets	(20 000)
CZ	Sport Development and Sportfields	D/CZ7BA1.001	OP Cost Sport Dev	4700000200	IE:Trf&Sub:Social Assistance:Grant In Aid	(195 545)
TOTAL						(3 280 412)

This unforeseeable and unavoidable expenditure needs to be condoned in terms of section 29 (3) and will be regularised in the 2022/23 adjusted budget accordingly. Departments need to identify savings to fund the over-expenditure and also cater for rest of the financial year's expenditure. This is captured accordingly in terms of recommendation 5.

“(c) in the case of a bank account opened in terms of Section 12 to make payments from the account in accordance with Sub-section (4) of that section.”

None

“(d) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state.”

R28 824 139,43 (NPA vehicle licence pay over).

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

R22 230,00

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

R912 289,66 (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.

RECOMMENDED THAT:

1. the Mid-Year Budget Report as at 31 December 2022 be noted;
2. the report be submitted to both the National Treasury and Provincial Treasury as stipulated in Section 72(1)(b) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
3. as a result of the Mid-Year Budget Report, a report dealing with the Adjustments Budget, in terms of Section 28 of the Municipal Finance Management Act be submitted to Council;
4. redundant stock to the value of R 172 578 be written off as it has no re-use purpose;
5. the financial position of the uMhlathuze Municipality as at 31 December 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 1509404)** including the quarterly requirements in terms of Section 52(d) be noted; and
6. the amount of **R3 280 412 (part - 4 other legislative requirements - Section 15 (b) unforeseeable and unavoidable expenditure)**, be condoned in terms of Section 29 (3) and will be regularised in the 2022/23 adjusted budget accordingly.