

16409

## FINANCIAL REPORTING AS AT 31 MAY 2023

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

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 May 2023 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

### IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of May 2023 is included under **Annexures AA and AB (DMS 1604996)**.

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## PART 1 - IN-YEAR REPORTING

### 1. **MAYOR'S REPORT FOR THE MONTH OF MAY 2023**

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 May 2023, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in January 2023. 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 May 2023 (year to date actual) shows a deficit of R149,2 million. The performance in this area is **Not Acceptable**. The deficit of R149,2 million is an indicator of strain on the municipal operating budget. Departments are urged to prioritise spending their budget on service delivery other than administrative expenditure.

## Capital Budget

Council is in the third quarter of the financial year and capital expenditure is at R833,2 million (74,86%). This is based on the Adjusted Budget of R1,113 billion. The performance in this area is **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 1,96:1 (Cash in Bank against average monthly liability's – R644 371 / R328 977). 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 an 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 May 2023:

DESCRIPTION	ADJUSTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL MAY 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue	4 003 702 700	3 530 309 549	3 406 276 325	96,49%
Expenditure	4 159 611 500	3 556 336 063	3 555 464 667	99,98%
Operating Surplus/(Deficit)	(155 908 800)	(26 026 514)	(149 188 342)	

### 3.2 **Cash Flow Situation**

#### **Council's Working Capital Policy:**

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 1,96:1 (644 371 / 328 977).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	ORIGINAL GRANTS BUDGET 2022/23	REVISED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 31/05/2023	ACTUAL EXPENDITURE AS AT 31/05/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>NATIONAL TREASURY</b>							
Equitable Share	471 939 000	471 939 000	471 939 000	432 610 750	92%	92%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. This grant is primarily for the provision of basic municipal Services.
Intergrated Urban Development Grant-IUDG	147 172 000	209 302 000	209 302 000	153 734 398,21	73%	73%	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	2 500 000	1 876 795	75%	75%	Spending is in accordance with the support plan submitted to National Treasury for the grant.Most of the expenditure is planned for the last quarter for this financial year.
Water services infrastructure grant	50 000 000	37 000 000	37 000 000	13 801 248	37%	37%	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	3 213 000	3 213 000	2 228 584	69%	69%	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.
Municipal Disaster Relief Grant	-	39 466 000	34 966 000	10 770 950	31%	27%	Grant to reconstruct and rehabilitate damaged municipal infrastructure due to the 2022 storms.T here was an amount of R4 500 000 which was erroneously paid to the municipality .The aforesaid amount has been transferred to KDCM to correct the error.
Energy Efficiency and Demand-side Management	5 000 000	2 000 000	2 000 000	4 010 708	201%	201%	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.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>679 824 000</b>	<b>765 420 000</b>	<b>760 920 000</b>	<b>619 033 433</b>	<b>81%</b>	<b>91%</b>	

DESCRIPTION OF GRANT	ORIGINAL GRANTS BUDGET 2022/23	REVISED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 31/05/2023	ACTUAL EXPENDITURE AS AT 31/05/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>PROVINCIAL TREASURY</b>							
Provincialisation of Libraries	9 593 000	9 593 000	9 593 000	29 433 789	307%	307%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.The allocation was received in the current period under review.
Community Library Services Grant (Cyber cadets)	2 032 000	2 032 000	2 032 000	2 605 577	128%	128%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.The allocation was received in the current period under review.
Housing Operating Account	3 177 000	4 264 786	5 533 208	16 017 480	289%	376%	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	235 000	3 262 678	1388%	1388%	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,
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>25 981 000</b>	<b>16 124 786</b>	<b>17 393 208</b>	<b>51 319 524</b>	<b>295%</b>	<b>198%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>705 805 000</b>	<b>781 544 786</b>	<b>778 313 208</b>	<b>670 352 957</b>	<b>86%</b>	<b>95%</b>	

### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 May 2023:

FUNCTION	ADJUSTED BUDGET 2022/2023	ACTUAL MAY 2023 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	135 312 200	105 258 392	77,79%
Community and Social Services	38 462 500	27 668 335	71,94%
Energy Sources	64 359 400	54 367 106	84,47%
Executive and Council	38 500	34 654	90,01%
Environmental Protection	4 127 500	655 407	15,88%
Air Transport - Air port	19 157 000	3 709 181	19,36%
Planning and Development	15 309 000	3 610 580	23,58%
Public Safety	2 369 900	1 226 450	51,75%
Road Transport	87 120 600	46 473 335	53,34%
Sport and Recreation	198 378 100	120 998 295	60,99%
Waste Management	7 459 800	264 399	3,54%
Waste Water Management	127 144 100	122 408 970	96,28%
Water	413 784 500	346 571 192	83,76%
	<b>1 113 023 100</b>	<b>833 246 298</b>	<b>74,86%</b>

SOURCE OF FUNDING	ADJUSTED BUDGET 2022/2023	ACTUAL MAY 2023 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	598 387 100	465 129 590	77,73%
Capital Replacement Reserve	259 627 000	181 507 736	69,91%
Integrated Urban Development Grant	201 944 000	167 287 027	82,84%
Government Grants - National	52 565 000	17 730 178	33,73%
Government Grants - Provincial	500 000	1 591 767	318,35%
<b>TOTAL</b>	<b>1 113 023 100</b>	<b>833 246 298</b>	<b>74,86%</b>

### 3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 May 2023:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL MAY 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 142 648 200	1 001 938 373	961 057 013	95,92%
Remuneration of Councillors	37 291 100	33 090 248	29 156 068	88,11%
Debt Impairment	172 510 200	156 709 952	161 148 027	102,83%
Depreciation and asset impairment	340 536 500	310 298 946	304 814 350	98,23%
Finance Charges	88 221 900	76 977 333	72 094 866	93,66%
Bulk Purchases - Electricity	1 236 241 700	1 090 326 257	1 110 675 840	101,87%
Inventory consumed - Water	401 327 100	296 577 300	261 109 703	88,04%
Inventory consumed - Materials	171 908 300	156 054 500	147 571 906	94,56%
Contracted Services	464 066 000	362 035 536	324 838 600	89,73%
Transfers and grants	9 528 000	9 097 463	7 793 037	85,66%
Other Expenditure	350 506 800	297 139 929	284 106 923	95,61%
Losses - Water Inventory (note 1)	214 797 800	196 897 983	316 466 687	160,73%
Inventory consumed - Capitalisation (note 2)	(469 972 100)	(430 807 758)	(425 368 351)	98,74%
<b>TOTAL</b>	<b>4 159 611 500</b>	<b>3 556 336 063</b>	<b>3 555 464 667</b>	<b>99,98%</b>

The above table represents operating expenditure per category as at 31 May 2023.

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.

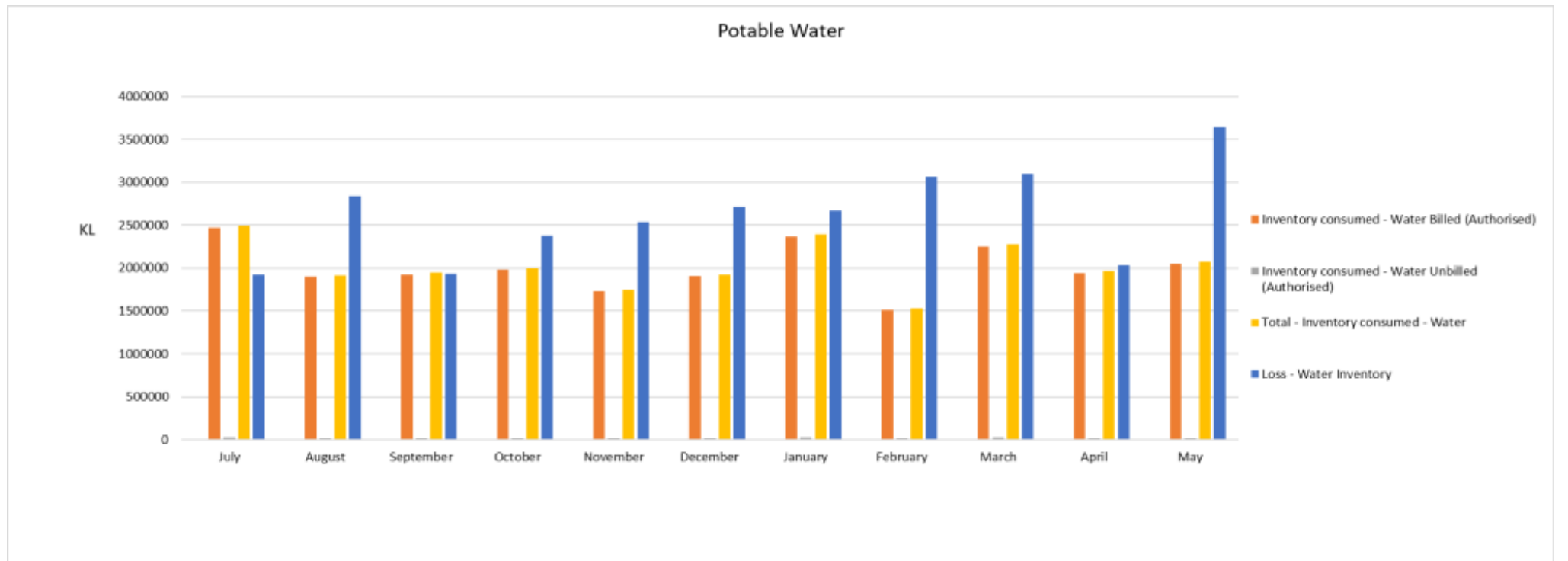
Water Inventory - in Rands						
Water Inventory	Original Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R
<b>Output</b>						
Inventory consumed - Water Billed (Authorised)	395 165 900	371 793 500	23 372 400	258 524 458	240 377 371	18 147 087
Inventory consumed - Water Unbilled (Authorised)	6 161 200	5 884 700	276 500	2 585 245	2 403 774	181 471
Total - Inventory consumed - Water	401 327 100	377 678 200	23 648 900	261 109 703	242 781 145	18 328 558
Loss - Water Inventory	214 797 800	210 792 600	4 005 200	315 600 587	312 311 094	3 289 493
<b>Total Water Inventory (Consumed plus losses)</b>	<b>616 124 900</b>	<b>588 470 800</b>	<b>27 654 100</b>	<b>576 710 290</b>	<b>555 092 239</b>	<b>21 618 051</b>

Water Inventory - in Units (kl)						
Water Inventory	Original Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl
<b>Output</b>						
Inventory consumed - Water Billed (Authorised)	35 474 796	30 842 250	4 632 546	24 411 008	22 035 409	2 375 599
Inventory consumed - Water Unbilled (Authorised)	542 980	488 168	54 812	244 110	220 354	23 756
Total - Inventory consumed - Water	36 017 776	31 330 418	4 687 358	24 655 118	22 255 763	2 399 355
Loss - Water Inventory	18 074 971	17 284 759	790 212	29 682 559	28 820 831	861 728
% Loss - Water Inventory	33,4%	35,6%	14,4%	54,6%	56,4%	26,4%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>54 092 747</b>	<b>48 615 177</b>	<b>5 477 570</b>	<b>54 337 677</b>	<b>51 076 594</b>	<b>3 261 083</b>



**Potable Water Inventory - in Units (kl)**

Water Inventory												
	July	August	September	October	November	December	January	February	March	April	May	YTD
<b>Output</b>												
Inventory consumed - Water Billed (Authorised)	2 470 673	1 894 488	1 925 417	1 978 833	1 733 577	1 907 317	2 369 517	1 509 705	2 252 378	1 942 838	2 050 666	22 035 409
Inventory consumed - Water Unbilled (Authorised)	24 707	18 945	19 254	19 788	17 336	19 073	23 695	15 097	22 524	19 428	20 507	220 354
Total - Inventory consumed - Water	2 495 380	1 913 432	1 944 671	1 998 621	1 750 913	1 926 391	2 393 212	1 524 802	2 274 902	1 962 266	2 071 172	22 255 763
Loss - Water Inventory	1 919 076	2 839 950	1 928 079	2 377 877	2 535 412	2 712 582	2 668 577	3 068 599	3 094 174	2 029 745	3 646 760	28 820 830
% Loss - Water Inventory	43,5%	59,7%	49,8%	54,3%	59,2%	58,5%	52,7%	66,8%	57,6%	50,8%	63,8%	56,4%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>4 414 456</b>	<b>4 753 382</b>	<b>3 872 750</b>	<b>4 376 498</b>	<b>4 286 325</b>	<b>4 638 973</b>	<b>5 061 789</b>	<b>4 593 401</b>	<b>5 369 076</b>	<b>3 992 011</b>	<b>5 717 932</b>	<b>51 076 593</b>

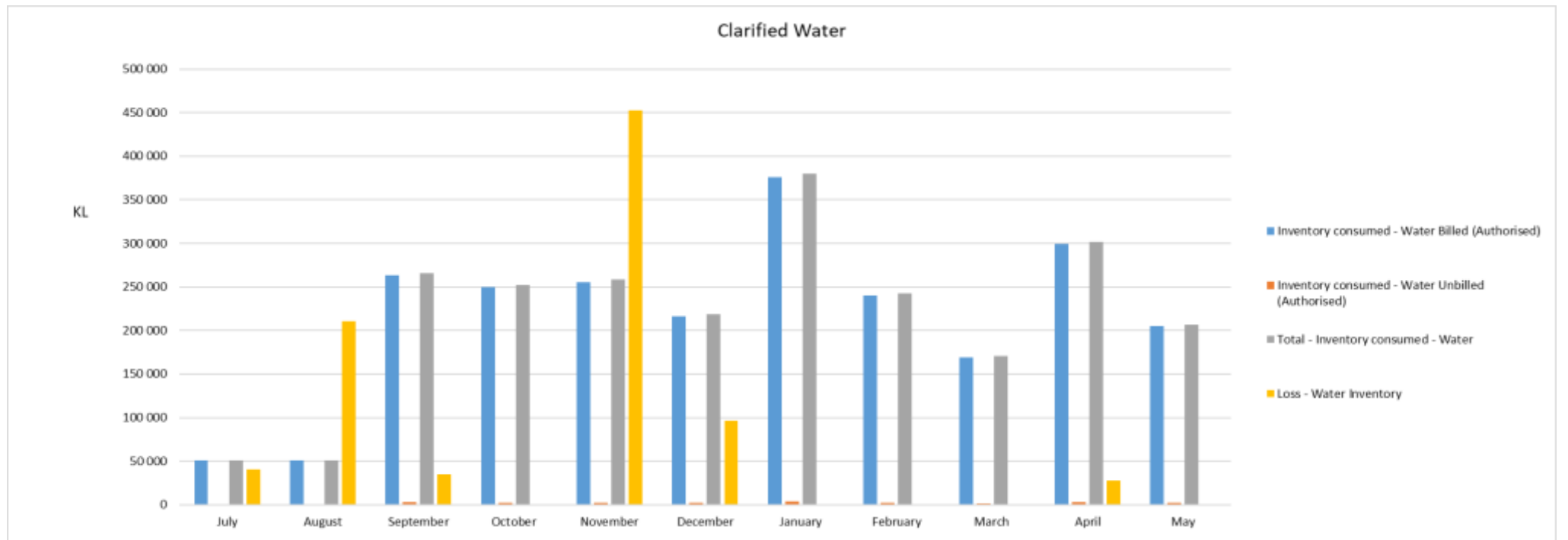


NOTES:

OFFICIAL FINAL VERSION

### Clarified Water Inventory - in Units (kl)

Water Inventory												
	July	August	September	October	November	December	January	February	March	April	May	YTD
<b>Output</b>												
Inventory consumed - Water Billed (Authorised)	50 790	50 790	263 205	249 869	255 621	216 053	376 173	239 943	169 269	299 023	204 863	2 375 599
Inventory consumed - Water Unbilled (Authorised)	508	508	2 632	2 499	2 556	2 161	3 762	2 399	1 693	2 990	2 049	23 756
Total - Inventory consumed - Water	51 298	51 298	265 837	252 368	258 177	218 213	379 935	242 342	170 962	302 013	206 912	2 399 355
Loss - Water Inventory	40 323	210 245	34 585	197	452 341	96 259	0	0	0	27 778	0	861 727
% Loss - Water Inventory	44,0%	80,4%	11,5%	0,1%	63,7%	30,6%	0,0%	0,0%	0,0%	8,4%	0,0%	26,4%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>91 621</b>	<b>261 543</b>	<b>300 422</b>	<b>252 565</b>	<b>710 518</b>	<b>314 472</b>	<b>379 935</b>	<b>242 342</b>	<b>170 962</b>	<b>329 791</b>	<b>206 912</b>	<b>3 261 083</b>



NOTES:

OFFICIAL FINAL VERSION

### 3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2022/2023	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL MAY 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	680 990 200	618 694 131	568 625 239	91,91%
Service Charges – Electricity revenue	1 866 242 400	1 632 838 489	1 599 489 663	97,96%
Service Charges – Water revenue	491 148 100	451 987 774	465 724 947	103,04%
Service Charges – Sanitation revenue	114 066 300	100 795 378	98 448 843	97,67%
Service Charges – Refuse revenue	106 813 300	89 071 298	98 280 727	110,34%
Rental of facilities and equipment	6 976 500	6 395 125	9 279 395	145,10%
Interest earned – external investments	66 700 000	61 141 667	29 897 651	48,90%
Interest earned – outstanding debtors	28 000	25 667	-	0,00%
Fines, penalties and forfeits	57 691 000	52 883 417	3 706 729	7,01%
Licences and permits	3 525 900	3 232 075	2 796 037	86,51%
Agency services	6 179 400	5 664 450	6 538 721	115,43%
Operating Transfers and Subsidies	525 345 100	470 835 313	497 902 784	105,75%
Other Revenue	40 085 200	36 744 767	25 585 588	69,63%
Gains - Employee related costs	37 911 300	-	-	0,00%
<b>TOTAL OPERATING REVENUE</b>	<b>4 003 702 700</b>	<b>3 530 309 549</b>	<b>3 406 276 325</b>	<b>96,49%</b>

The above table represents operating revenue per category as at 31 May 2023.

### 3.7 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
	R	R	R	R	R
Bulk Electricity	103 683 217	-	-	-	103 683 217
Bulk Water	17 136 041	-	-	-	17 136 041
PAYE deductions	14 430 784	-	-	-	14 430 784
Pensions / Retirement deductions	12 873 650	-	-	-	12 873 650
Trade Creditors	1 444 680	1 307 504	7 813 591	1 099 362	11 665 137
<b>Total By Customer Type</b>	<b>149 568 372</b>	<b>1 307 504</b>	<b>7 813 591</b>	<b>1 099 362</b>	<b>159 788 829</b>

The above table represents the ageing of creditors outstanding as at 31 May 2023. 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 May 2023 is **27 days**. It must be noted that amounts over 90 days are invoices that were accrued due to year-end cut-off. However, the final signoff and verification still needs to be done by User Departments.

### 3.8 Debtors Report

#### FINANCIAL REPORTING ON INCOME / DEBT

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	144 558 759	13 756 349	17 871 386	242 819 183	419 005 676
Business	152 555 156	3 545 871	(46 195 210)	82 043 768	191 949 585
Households	51 234 368	7 868 203	7 466 052	212 738 916	279 307 539
Other	901 297	539 915	389 426	5 468 880	7 299 517
<b>Total</b>	<b>349 249 578</b>	<b>25 710 338</b>	<b>(20 468 346)</b>	<b>543 070 747</b>	<b>897 562 317</b>
<b>%</b>	<b>38,91%</b>	<b>2,86%</b>	<b>-2,28%</b>	<b>60,51%</b>	

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

## **Debt Collection Rate**

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

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

PAYMENT RATIO					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		99%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance May 2023	897 074 157	
			Gross Debtors opening balance June 2022	910 622 157	
			Bad debts written Off June 2022 to May 2023	29 739 962	
			Billed Revenue June 2022 - May 2023	3 167 933 550	

## ➤ **Net Debtors Days**

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

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

NETT DEBTORS IN DAYS					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days	30 days		86 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance May 2023	897 074 157	
			Bad debts Provision 2022 / 2023	146 879 700	
			Billed Revenue June 2022 - May 2023	3 167 933 550	

➤ **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	STATE OWNED ENTITIES	12 649 971	7 064 729	6 566 410	5 941 026	84 604 198	116 826 333
501543	STATE OWNED ENTITIES	2 824 958	3 239 551	7 945 746	3 620 224	70 804 559	88 435 039
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 590	22 377 590
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 753	21 328 753
551583	STATE OWNED ENTITIES	1 007 761	826 001	1 105 822	2 117 450	11 529 455	16 586 489
1632348	STATE OWNED ENTITIES	1 158 002	510 841	570 783	203 323	6 377 493	8 820 441
1610626	PRIVATE BUSINESS	-	-	-	-	6 106 823	6 106 823
416383	PRIVATE BUSINESS	151 776	75 888	75 888	151 776	5 365 258	5 820 585
2289941	PRIVATE BUSINESS	1 016	214	-	-	5 044 907	5 046 137
2328365	STATE OWNED ENTITIES	-	-	-	-	4 615 650	4 615 650
<b>TOTAL</b>		<b>17 793 482</b>	<b>11 717 225</b>	<b>16 264 649</b>	<b>12 033 798</b>	<b>238 154 685</b>	<b>295 963 840</b>

## Government Debt

Government debtors shown as follows:

GOVERNMENT DEPARTMENTS						
National Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	4 756	187	46	12	1 476	6 477
Dept of Agriculture and Rural Development & land Reform	4	-	-	-	354	358
Department of Water Affairs and Sanitation	-	-	-	-	(1 726)	(1 726)
	4 760	187	46	12	104	5 109
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	55 330	(23 974)	35 714	35 101	3 408 888	3 511 058
Education	1 058 726	296 383	247 969	1 586 450	2 615 387	5 804 915
Tvet Colleges	2 320 138	362 622	283 796	485 235	1 817 210	5 269 000
Human Settlement	81 749	19 300	4 364	4 431	608 032	717 876
Department of Transport	274 524	93 756	98 268	66 911	485 714	1 019 172
Department of Health	3 711 597	(22 249)	12 289	(8 220)	4 046 714	7 740 130
Department of Social Welfare	86 692	-	-	-	-	86 692
	7 588 755	725 839	682 399	2 169 907	12 981 944	24 148 843
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	9 406 131	123 693	70 977	8 623	(1 558 188)	8 051 236
ESKOM	(27 573)	1 541	2 148	(5 895)	90 741	60 962
Ingonyama Trust Board	730 472	365 085	368 550	361 545	15 637 977	17 463 630
Telkom	578 468	798	798	901	6 234	587 199
Foskor	17 127 889	15 752	11 995	11 995	1 665 162	18 832 792
SA Post Office	15 716	7 434	7 117	25	(5 018)	25 273
Richards Bay IDZ	2 856 675	-	-	-	-	2 856 675
Mhlathuze Water Board	4 186 358	-	-	-	21 328 753	25 515 110
King Cetshwayo District Municipality	18 360 720	12 119 827	16 571 665	11 999 344	172 259 382	231 310 939
	53 234 855	12 634 130	17 033 250	12 376 539	209 425 043	304 703 817

## 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.

### 3.9 Employee Debt / Councillor Debt

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

Employees' debt amounts to R354 206,14 as per **Annexure AD - DMS 1604996**.

Councillors' debt amounts to R22 181,44 as per **Annexure AC - DMS 1604996**.

### 3.10 MFMA Circular number 71 Uniform Financial Ratios

MFMA Circular number 71 contained on DMS 928606 sets out requirements for financial ratios and norms. This circular covers various aspects of a municipality's finances, such as financial position, financial performance and budget implementation. These ratios also aid in long-term financial planning and can be used to track progress over a number of years. Norms or standards have been assigned to each financial ratio.

This template is included as **Annexure AF on DMS 1604996**.

## 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1604998**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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



## PART 2 - SUPPORTING DOCUMENTATION

### 5. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) (**DMS 1604998**) for the month ended 31 May 2023.

### 6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) (**DMS 1604998**) for the month ended 31 May 2023.

### 7. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) (**DMS 1604998**) for the month ended 31 May 2023.

### 8. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) (**DMS 1604998**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) (**DMS 1604998**) for the month ended 31 May 2023.

### 9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) (**DMS 1604998**) for the month ended 31 May 2023.

### 10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 May 2023:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**) (**DMS 1604998**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**) (**DMS 1604998**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**) (**DMS 1604998**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**) (**DMS 1604998**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**) (**DMS 1604998**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**) (**DMS 1604998**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**) (**DMS 1604998**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**) (**DMS 1604998**).

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

Refer to **DMS 1605546 (Annexure AE)**.

### **ENVIRONMENTAL IMPLICATIONS**

None

### **FINANCIAL IMPLICATIONS**

This has been covered in details throughout the report.

### **LEGAL IMPLICATIONS**

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

### **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

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

### **COMMENTS OF THE CITY MANAGER**

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

### **RECOMMENDED THAT:**

the financial position of the uMhlathuze Municipality as at 31 May 2023, 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 1604998)**, be noted.