

16490

FINANCIAL REPORTING FOR THE QUARTER ENDED 30 JUNE 2023 (INTERIM)

*This report served before the Financial Services Portfolio Committee on 28 July 2023.
The recommendations were supported.*

PURPOSE

1. To submit to Council the financial position of the uMhlathuze Municipality for the quarter ended 30 June 2023, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). The monthly and quarterly requirements in terms of Section 71 and Section 52(d) respectively are also included in this report.
2. To disclose to Council the cost containment savings as required in terms of Regulation 15 of Municipal Cost Containment Regulations (MCCR).
3. To rectify resolution 16426 dated 22 June 2023 (RPT 175975) titled “proposed resolution to the King Cetshwayo District Municipality water accounts dispute” which was adopted by Council.

IDP STRATEGY AND OBJECTIVES

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

BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AA - DMS 1594385**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1594385**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AJ - DMS 1594385**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AK and AL - DMS 1594385**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AM - DMS 1594385**).

DISCUSSION

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

TABLE OF CONTENTS

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

PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF JUNE 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 June 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 June 2023 (year to date actual) shows an interim deficit of R406,1 million. The interim deficit exceeds the budgeted deficit of R155,9 million by R250,2 million. Major expenditure and revenue items that contributes to the deficit is reflected in the table below.

Commitment Item Description	Adjusted Budget 2022/23	Expenditure as at 30 June 2023 YTD	Difference
IE: Bulk Purchases: Electricity: ESCOM	1 236 241 700	1 250 740 202	(14 498 502)
Impairment Loss: IE: Irrecoverable Debts Written Off	172 510 200	237 549 572	(65 039 372)
IE: Consumption: Fuel & Oil	32 965 200	65 939 146	(32 973 946)
IE: Inventory Consumed: Materials and Supplies - Electricity	15 841 000	21 877 097	(6 036 097)
IE: CS: Busi Adv: Project Management - SAP	114 400 200	123 029 488	(8 629 288)
IE: CS: Contracted : Safeguard and Security	73 956 800	82 365 656	(8 408 856)
Water Inventory - Losses	214 797 800	531 640 904	(316 843 104)
	1 860 712 900	2 313 142 063	(452 429 163)

Commitment Item Description	Adjusted Budget 2022/23	Revenue as at 30 June 2023 YTD	Difference
Rates	(680 990 200)	(615 807 639)	(65 182 561)
Service Charges – Electricity revenue	(1 866 242 400)	(1 773 331 281)	(92 911 119)
Service Charges – Water revenue	(491 148 100)	(470 624 479)	(20 523 622)
	(3 038 380 700)	(2 859 763 398)	(178 617 302)

The performance in this area is **Not Acceptable**.

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is at R987,5 million (89%). This is based on the Adjusted Budget of R1,04 billion. Expenditure is expected to rise as the year progresses. The performance in this area although is **Acceptable**.

Cash Flow

In terms of Council's Adjusted 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 1.13:1 (372 772/300 600). This is below the norm therefore the performance in this area is **Not acceptable**.

2. **RESOLUTIONS**

Refer to the recommendations contained in this report.

3. **EXECUTIVE SUMMARY**

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

3.1 The following table represents an executive summary for the financial period ended 30 June 2023:

DESCRIPTION	ADJUSTED BUDGET 2022/2023	ACTUAL JUNE 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Revenue	4 003 702 700	3 728 384 802	93,12%
Expenditure	4 159 611 500	4 134 525 052	99,40%
Operating Surplus/(Deficit)	(155 908 800)	(406 140 249)	

3.2 **Cash Flow Situation**

Council's Working Capital Policy:

In terms of Council's Adjusted 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 1.13:1 (372 772/300 600).

3.3 Grants Balances

DESCRIPTION OF GRANT	REVISED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 30/06/2023	ACTUAL EXPENDITURE AS AT 30/06/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	471 939 000	471 939 000	471 939 000	100%	100%	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	209 302 000	209 302 000	209 302 000,00	100%	100%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 500 000	2 500 000	2 500 000	100%	100%	Spending is in accordance with the support plan submitted to National Treasury for the grant. The has been fully spent as at the end of the financial year.
Water services infrastructure grant	37 000 000	37 000 000	37 000 000	100%	100%	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	100%	100%	The grant is for the operational expenditure for EPWP. Expenditure shown is the total actual operating costs of the EPWP for the period under review.
Municipal Disaster Relief Grant	39 466 000	34 966 000	9 254 122	26%	23%	Grant to reconstruct and rehabilitate damaged municipal infrastructure due to the 2022 storms. There 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	2 000 000	2 000 000	2 000 000	100%	100%	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	765 420 000	760 920 000	735 208 121	97%	108%	

DESCRIPTION OF GRANT	REVISED GRANTS BUDGET 2022/23	AMOUNT RECEIVED AS AT 30/06/2023	ACTUAL EXPENDITURE AS AT 30/06/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	9 593 000	9 593 000	32 476 647	339%	339%	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	2 819 323	139%	139%	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	4 264 786	5 533 208	17 649 941	319%	414%	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	3 594 008	1529%	1529%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
Sports and Recreation - Capital	-	-	-		0%	This grant is for capital to help build sports facilities and develop sports and recreation,
TOTAL PROVINCIAL TREASURY GRANTS	16 124 786	17 393 208	56 539 919	325%	218%	
TOTAL GRANTS AND SUBSIDIES	781 544 786	778 313 208	791 748 041	102%	112%	

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 June 2023:

FUNCTION	ADJUSTED BUDGET 2022/2023	ACTUAL JUNE 2023 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	135 312 200	113 936 118	84,20%
Community and Social Services	38 462 500	31 198 407	81,11%
Energy Sources	64 359 400	70 290 640	109,22%
Executive and Council	38 500	36 718	95,37%
Environmental Protection	4 127 500	655 407	15,88%
Air Transport - Air port	19 157 000	6 627 810	34,60%
Planning and Development	15 309 000	3 566 792	23,30%
Public Safety	2 369 900	1 244 510	52,51%
Road Transport	87 120 600	56 783 135	65,18%
Sport and Recreation	198 378 100	168 176 997	84,78%
Waste Management	7 459 800	1 834 782	24,60%
Waste Water Management	127 144 100	130 014 771	102,26%
Water	413 784 500	403 111 169	97,42%
	1 113 023 100	987 477 255	88,72%

The total adjusted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2022/2023	ACTUAL JUNE 2023 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	598 387 100	530 109 817	88,59%
Capital Replacement Reserve	259 627 000	215 199 652	82,89%
Integrated Urban Development Grant	201 944 000	200 830 546	99,45%
Government Grants - National	52 565 000	39 713 685	75,55%
Government Grants - Provincial	500 000	1 623 556	324,71%
TOTAL	1 113 023 100	987 477 255	88,72%

3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2022/2023	ACTUAL JUNE 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Employee related costs	1 142 648 200	1 054 325 516	92,27%
Remuneration of Councillors	37 291 100	31 642 443	84,85%
Debt Impairment	172 510 200	237 549 572	137,70%
Depreciation and asset impairment	340 536 500	331 553 643	97,36%
Finance Charges	88 221 900	87 384 287	99,05%
Bulk Purchases - Electricity	1 236 241 700	1 250 740 202	101,17%
Inventory consumed - Water	401 327 100	344 382 310	85,81%
Inventory consumed - Materials	171 908 300	197 913 701	115,13%
Contracted Services	464 066 000	444 489 806	95,78%
Transfers and grants	9 528 000	8 725 798	91,58%
Other Expenditure	350 506 800	327 072 561	93,31%
Losses - Water Inventory (note 1)	214 797 800	531 640 904	247,51%
Inventory consumed - Capitalisation (note 2)	(469 972 100)	(712 895 691)	151,69%
TOTAL	4 159 611 500	4 134 525 052	99,40%

The table above represents operating expenditure per category as at 30 June 2023.

Note 1 and 2 above:

In terms of Version 6.5 of the mSCOA Chart it is required that municipality's account for their water purchases, water production as well their losses are 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	Adjusted Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R
Output						
Inventory consumed - Water Billed (Authorised)	395 165 900	371 793 500	23 372 400	340 972 585	321 764 575	19 208 010
Inventory consumed - Water Unbilled (Authorised)	6 161 200	5 884 700	276 500	3 409 726	3 217 646	192 080
Total - Inventory consumed - Water	401 327 100	377 678 200	23 648 900	344 382 311	324 982 221	19 400 090
Loss - Water Inventory	214 797 800	210 792 600	4 005 200	525 350 078	520 872 530	4 477 548
Total Water Inventory (Consumed plus losses)	616 124 900	588 470 800	27 654 100	869 732 389	845 854 751	23 877 638

Water Inventory - in Units (kl)						
Water Inventory	Adjusted Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl
Output						
Inventory consumed - Water Billed (Authorised)	35 474 796	30 842 250	4 632 546	26 493 403	23 930 903	2 562 500
Inventory consumed - Water Unbilled (Authorised)	542 980	488 168	54 812	264 934	239 309	25 625
Total - Inventory consumed - Water	36 017 776	31 330 418	4 687 358	26 758 337	24 170 212	2 588 125
Loss - Water Inventory	18 074 971	17 284 759	790 212	34 749 216	33 678 191	1 071 025
% Loss - Water Inventory	33,4%	35,6%	14,4%	56,5%	58,2%	29,3%
Total Water Inventory (Consumed plus losses)	54 092 747	48 615 177	5 477 570	61 507 553	57 848 403	3 659 150

3.6 Revenue by Source

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2022/2023	ACTUAL JUNE 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Rates	680 990 200	615 807 639	90,43%
Service Charges – Electricity revenue	1 866 242 400	1 773 331 281	95,02%
Service Charges – Water revenue	491 148 100	470 624 479	95,82%
Service Charges – Sanitation revenue	114 066 300	107 728 401	94,44%
Service Charges – Refuse revenue	106 813 300	107 255 742	100,41%
Rental of facilities and equipment	6 976 500	7 956 609	114,05%
Interest earned – external investments	66 700 000	34 660 598	51,96%
Interest earned – outstanding debtors	28 000	-	0,00%
Fines, penalties and forfeits	57 691 000	3 708 079	6,43%
Licences and permits	3 525 900	3 291 476	93,35%
Agency services	6 179 400	6 538 721	105,81%
Operating Transfers and Subsidies	525 345 100	499 933 785	95,16%
Other Revenue	40 085 200	97 547 993	243,35%
Gains - Employee related costs	37 911 300	-	0,00%
TOTAL OPERATING REVENUE	4 003 702 700	3 728 384 802	93,12%

The above table represents operating revenue by source as at 30 June 2023.

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

DETAILS	ADJUSTED BUDGET 2022/23	ACTUAL JUNE 2023 (YTD)	% ADOPTED BUDGET SPENT
	R	R	
Fines:Illegal Connections	1 397 400	826 188	59%
Fines:Overdue Books	16 000	1 765	11%
Fines:Pound Fees	5 100	38 987	764%
Fines:Traffic:Court Fines	391 500	32 956	8%
Fines:Traffic:Municipal	50 322 300	807 924	2%
Forfeits:Deposits	1 161 400	862 192	74%
Fines:Motor Vehicle Licence	1 100	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	4 396 200	1 138 068	26%
TOTAL	57 691 000	3 708 079	6%

3.7 Creditors Report

Creditors Age Analysis by Category

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	160 153 458	-	-	-	160 153 458
Bulk Water	17 313 766	-	-	-	17 313 766
PAYE deductions	-	-	-	-	-
Pensions / Retirement deductions	-	-	-	-	-
Trade Creditors	48 651 163	1 375 000	6 319 924	3 900 533	60 246 620
Other	60 720	-	-	-	60 720
Total By Customer Type	226 179 107	1 375 000	6 319 924	3 900 533	237 774 565

The above table represents the ageing of creditors outstanding as at 30 June 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 June 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 sign off and verification still needs to be done by user departments.

Outstanding Creditors

At a previous Financial Services Portfolio Committee meeting, Councillors requested that creditors greater than R100 000 outstanding for 90 days and longer be submitted to Council:

Creditor	Amount	Reason
King Cetshwayo District Municipality	R1 099 362,00	Invoice in dispute as it relates to services for the former Ntambanana Municipality

3.8 Debtors Report

➤ Debtors Age Analysis by Category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	156 428 000	8 299 895	11 638 896	109 050 731	285 417 521
Business	214 003 838	5 312 287	(388 868)	28 768 022	247 695 279
Households	46 717 569	3 662 290	6 167 947	165 586 478	222 134 284
Other	1 395 991	634 393	504 746	5 724 580	8 259 710
Total	418 545 399	17 908 864	17 922 721	309 129 810	763 506 794
%	54,82%	2,35%	2,35%	40,49%	

FINANCIAL REPORTING ON INCOME / DEBT

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

Debt Collection Rate

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

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

PAYMENT RATIO					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		104%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance June 2023	763 098 054	
			Gross Debtors opening balance July 2022	1 087 446 557	
			Bad debts written Off July 2022 to June 2023	186 055 091	
			Billed Revenue July 2022 - June 2023	3 199 165 423	

➤ Net Debtors Days

This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.

The Ratio exclude balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful Debts:

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

NETT DEBTORS IN DAYS					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days	30 days		70,31 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance June 2023	763 098 054	
			Bad debts Provision 2022 / 2023	146 879 700	
			Billed Revenue July 2022 - June 2023	3 199 165 423	

➤ Top Ten Debtors

TOP TEN DEBTORS FROM ALL CATEGORIES							
Account No	Consumer Type	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1854904	PRIV A TE BUSINESS	-	-	-	-	22 377 590	22 377 590
501543	STATE OWNED ENTITIES	6 467 391	-	3 239 551	7 945 746	21 526 354	39 179 043
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 753	21 328 753
1088329	STATE OWNED ENTITIES	13 902 950	6 894 295	7 064 729	6 566 410	20 589 026	55 017 411
1610626	PRIV A TE BUSINESS	-	-	-	-	6 106 823	6 106 823
416383	PRIV A TE BUSINESS	151 776	75 888	75 888	75 888	5 517 033	5 896 473
2289941	PRIV A TE BUSINESS	285	731	214	-	5 044 907	5 046 137
2328365	STATE OWNED ENTITIES	-	-	-	-	4 615 650	4 615 650
2273109	STATE OWNED ENTITIES	9 534	-	36 033	700	3 853 332	3 899 599
30000543	SUNDRIES AND OTHER	258 184	516 368	258 184	258 184	2 782 489	4 073 410
		20 790 120	7 487 282	10 674 600	14 846 929	113 741 958	167 540 888

Government Debt

The Top Ten (10) Government debtors are 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	212 881	11 154	8 204	9 491	831 640	1 073 372
Dept of Agriculture and Rural Development & land Reform	17 519	-	-	-	284 785	302 305
Department of Water Affairs and Sanitation	-	-	-	-	-1 592 131	-1 592 131
	230 401	11 154	8 204	9 491	-475 705	-216 454
Provincial Departments		31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	-120 925	30 303	-28 509	31 178	2 139 290	2 051 337
Education	1 851 601	127 334	245 542	238 317	4 048 040	6 510 833
Tvet Colleges	3 020 283	6 765	1 287	730	1 401	3 030 465
Human Settlement	76 615	7 792	18 855	4 364	609 943	717 570
Department of Transport	243 322	105 546	89 139	66 005	496 148	1 000 160
Department of Health	4 267 106	5 835	-15 004	7 684	3 868 640	8 134 262
Department of Social Welfare	65 157	-	-	-	-	65 157
	9 403 159	283 575	311 310	348 277	11 163 462	21 509 783
Other Organs of State		31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	9 506 653	66 379	68 145	36 495	-1 542 739	8 134 933
ESKOM	143 814	-122 736	1 541	2 148	84 920	109 688
Ingonyama Trust Board	726 972	365 236	365 085	368 550	15 999 522	17 825 366
Telkom	600 226	1 498	798	798	7 136	610 456
Foskor	23 809 495	-	-	-	-	23 809 495
SA Post Office	12 340	8 539	7 434	7 117	-3 765	31 665
Richards Bay IDZ	3 150 047	-	-	-	-	3 150 047
Mhlathuze Water Board	4 884 024	41	-	-	21 328 753	26 212 817
King Cetshwayo District Municipality	24 793 058	7 669 016	10 670 137	14 716 451	41 253 207	99 101 870
	67 626 630	7 987 974	11 113 140	15 131 559	77 127 033	178 986 336

Government Debt Comments

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

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

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

Adjustment of Tariffs for King Cetshwayo District Municipality

In the 2017/2018 financial year, the district municipality (KCDM) approached the municipality about negotiating cheaper bulk water tariffs; these discussions persisted until recently, when council approved a lowered tariff. The City of uMhlathuze Council after lengthy engagements with the district eventually approved a bulk tariff for the 2022/23 financial year of R16.20, excluding VAT. This report seeks to clarify the misstatement in the resolution 16426 dated 22 June 2023 (RPT 175975), which had listed these adjustments as write-offs.

3.9 Employee Debt / Councillor Debt

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

Employees' debt amounts to R405 859.98 as per **Annexure AO - DMS 1594385**.

Councillors' debt amounts to R22 966.18 as per **Annexure AN - DMS 1594385**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES FOR ENTIRE MUNICIPALITY

4.1 LOSSES TO COUNCIL’S PROPERTY

The table below represents losses to Council's property for the period 1 April 2023 to 30 June 2023:

GLASS REPLACEMENT CLAIMS									
DATE	CLAIM	CATERGORY	DETAILS OF INCIDENT	VEHICLE	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
24/04/2023	222022/106	Glass Replacement	V1602 - Driven by Bhekisenzo - the glass of the door allegedly cracked and fell off when he opened the door	V1602 - NRB 59888	854	I & TS - Roads	-	31 734	31 734
03/04/2023	222022/107	Glass Replacement	V1407 - Driven by James Mthembu - the windscreen and indicator light was damaged by stones that picked up	V1407 - NRB 40104		Comms - Solid Waste	-	3 761	3 761
02/02/2023	222022/108	Glass Replacement	V1428 was parked at Dollar drive and a vagrant broke the passenger side glass and stole the employees money	V1428 - NRB 59858	770	Comms - Solid Waste	-	3 450	3 450
23/03/2023	222022/110	Glass Replacement	V2024 - Driven by Titus Mantengu - the windscreen and sunvisor cap was damaged by an overhead eskom line	V2024 - NRB 99050		I & TS - Roads	-	4 428	4 428
04/04/2023	222022/111	Glass Replacement	V1589 - Driven by Sibongakaliso Mkhwanazi - the windscreen was damaged when he tried to avoid a taxi breaking and he went forward hitting the glass with his forehead	V1589 - NRB 56832	853	I&TS - Rural Roads	-	-	-
03/04/2023	222022/113	Glass Replacement	V1431 - Was stationery at the Veldenvlei sports complex , when the operator returned to the vehicle she noticed that the vehicle glass was damaged allegedly by the storm	V1431 - NRB 92342		I & TS - Roads	-	11 044	11 044
09/06/2023	222022/129	Glass Replacement	V2041 - Whilst Driven by Mthabeleni T Mkhwanazi - a stone picked up by a passing vehicle with registration ND 287 - 603 and chipped the windscreen of V2041	V2041 - NPN6636P	887	I&TS - Roads	-	5 379	5 379
							-	59 796	59 796

PROPERTY CLAIMS									
DATE	CLAIM	CATERGORY	DETAILS OF INCIDENT	VEHICLE	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
03/04/2023	222022/97	Property damage	Multiple municipal properties were damaged throughout the City due to severe storms		814,5,6,8,25	CS - Facilities			
25/05/2023	222022/116	Damage	Steven Mthethwa's laptop was damaged when water accidently fell onto it			I & TS - Roads			

PUBLIC LIABILITY									
DATE	CLAIM	CATERGORY	DETAILS OF INCIDENT	VEHICLE	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
24/03/2023	222022/109	Public Liability	V0433 - Driven by Sandile Makhatini was involved in an incident involving a TP, he reversed into the TP NT 90215 and dented it	V0433 - NRB 41256	844		25 000	-	-
09/12/2022	222022/114	Public Liability	Van Breda is claiming on behalf of Caroline Pillay for damages to her vehicle allegedly caused by a pothole			I & TS - Roads	25 000	11 385	-
17/05/2023	222022/117	Public Liability	Mbali Sithole is claiming for damages to her vehicle windscreen allegedly caused by a stone that picked up during grass cutting		864	Comms - Parks	25 000	25 000	7 360
24/04/2023	222022/118	Public Liability	Pumeza Zuma is claiming for damages to her vehicle allegedly caused by a Municipal driver				25 000	-	-
08/03/2023	222022/121	Public Liability	Sphelele Maphumulo is claiming for damages to his brush cutter allegedly caused by Council's employee who accidently drove over it		803	Comms - Solid Waste	25 000	5 899	5 899
03/05/2023	222022/122	Public Liability	PS Ntshangase is claiming from Council for damages to his Quantum side glass allegedly caused by a stone that picked up during grass cutting operations		850	Comms - Parks	25 000	1 378	1 378
27/12/2022	222022/123	Public Liability	Van Breda Attorneys are claiming on behalf of Richsteel Trading for damages to their vehicle allegedly caused when their driver collided with a pothole			I&TS - Roads	25 000	408 609	25 000
04/03/2023	222022/124	Public Liability	Patience Samukeliswe Mthembu is claiming for damages to her vehicle NUF 43670 allegedly caused by street light pole that fell over			I&TS - Streetlights	25 000	-	-
28/06/2023	222022/126	Public Liability	V0437 - Driven by Madlakhulu Zungu was involved in a TP incident with Rayllin1 - ZN	V0437 - NRB 68181	901	Comms - Solid Waste	25 000	-	-
11/02/2023	222022/127	Public Liability	Zamokhule Hlatshwayo is claiming for damages to her vehicle allegedly caused by water that pooled on the road because the stormwater drain was allegedly blocked			I&TS - Roads	25 000	-	-
04/09/2022	222022/130	Public Liability	VBH Attorneys on behalf of Thizwilondi Doris Nyambeni - Mindo is claiming for damages to her vehicle allegedly caused by a pothole			I&TS - Roads	20 000	35 600	20 000
16/02/2023	222022/131	Public Liability	Khanyisile Mtetwa is claiming for damages to her vehicle tyres allegedly caused by potholes on the road			I&TS - Roads	20 000	850	850
11/02/2023	222022/132	Public Liability	Sithole Bongiwe Cynthia is claiming for damages to her vehicle tyres allegedly caused by potholes on the road			I&TS - Roads	20 000	1 000	1 000
03/04/2023	222022/133	Public Liability	Singh Chundersingh Sookdev is claiming for damages to his boundary wall, vehicle and gate motor that was allegedly damaged by a tree that fell over due to a storm			Comms - Parks	25 000	-	-
							335 000	489 720	61 486

THEFT CLAIMS									
DATE	CLAIM	CATERGORY	DETAILS OF INCIDENT	VEHICLE	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
25/03/2023	222022/100	Theft	Laptop(Dell latitude 5420) stolen at Boardwalk mall parking area from Sthabelo Ntshangase's vehicle			CS - Councillors	2 500		2 500
28/04/2022	222022/115	Theft	The Airquality Monitoring Station at Brackenham Cemetry was broken into and 2 Aircons and datalogging computer were stolen		865	CD - Airquality Manager	14 993	149 930	
23/03/2023	222022/134	Theft	CLlr Sgu Dlodla's laptop was stolen from his vehicle whilst it was parked at taxi city			CS - Councillors	2 500		2 500
							17 493	149 930	2 500

COUNCIL VEHICLES									
DATE	CLAIM	CATERGORY	DETAILS OF INCIDENT	VEHICLE	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
03/04/2023	222022/93	Vehicle Damage	V2023 - was damaged dy hail stones during a storm	V2030 - NRB 39318		Comms	19 069	95 344	19 069
02/04/2023	222022/99	Vehicle Damage	V1418 - Driven by PraiseGod Mthumkulu was damaged when he allegedly had a black out	V1418 - NRB 87709		Comms - Solid Waste	106 105	530 525	106 105
05/04/2023	222022/101	Vehicle Damage	Allegedly the driver of V1483 reversed in TP vehicle Mfehele -ZN and damaged the right rear of the TP vehicle	V1483- NRB 94193		I & TS - EES	25 000	-	-
12/04/2023	222022/102	Vehicle Damage	V0276 - Driven by Z Shenge was damaged by V247 at the left back bumper and the light	V0276 NRB 61522		Comms - Halls	-	18 320	18 320
14/04/2023	222022/103	Vehicle Damage	Mr SB Zulu V477 crane truck - right indicator and bumper damaged after reversing the front right bumper hooked the heap garbage	V0477 - NRB 42501		I & TS - Roads	-	-	-
29/04/2023	222022/104	Vehicle Damage	V1490 - Driven by Mthembeni David Zondi - was damaged when the vehicle rolled whilst he was avoiding a collision with a truck in from of him	V1490 - NRB 91079		Comms - Safety & Secur	-	-	-
25/04/2023	222022/105	Vehicle Damage	V1392 - Driven by Tracy Shabalala was damaged when a TP vehicle with registration NIN 12370 hit into V1392 from behind	V1392 - NRB 89109	843	I & TS - Roads	-	-	-
08/05/2023	222022/112	Vehicle Damage	V1494 - Driven by Nomandla Nyamane was damaged when tp vehicle collided with V1494 after Nomandla did u-turn by N2 -canefield intersection	V1494 - NRB 29618	858	Traffic Officer	-	-	-
20/05/2023	222022/119	Vehicle Damage	V1485 - Driven by Bhekimpatho Cedric Xaba - was damaged when a TP vehicle hit head on onto V1485	V1485 - NRB 94189	869		-	-	-
12/06/2023	222022/120	Vehicle Damage	V2039 - Driven by Sifiso Nkosi was damaged when the skip was being offloaded and a piece of wood got stuck inbetween the truck and the skip and caused the skip to hit the side of the truck	V2039 - NRB 12180	895	Comms - Solid Waste	-	-	-
21/06/2023	222022/125	Vehicle Damage	V2029 - Driven by Sandile Duma was damaged when he reversed into a short pole that he did not see	V2029 - EGP233GP	902	Comms - Solid Waste	25 000	-	-
28/06/2023	222022/128	Vehicle Damage	V0477 - Driven by Ndlenhle was damaged after he parked off the vehicle it rolled and hit into V0472 because the hand brake was non functional	V0477 - NRB 42501		I & TS - Roads	-	-	-
							225 174	657 933	157 238

Notes:

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

4.2 PROCEEDS FROM LAND SALES

As required in terms of the Chief Financial Officer's Performance Plan, 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		
16/03/2023	21 708 000,00	Erf 15410	Mambuka Mandlazini Community Trust
16/03/2023	28 152 000,00	Erf 15424	Mambuka Mandlazini Community Trust
03/04/2023	5 571 000,00	REMAINDER OF PORTION OF FARM 15823	Mambuka Mandlazini Community Trust
	55 431 000,00		

4.3 **COST CONTAINMENT POLICY**

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

ANNEXURE D: COST CONTAINMENT REPORT AS AT 30 JUNE 2023			
COST CONTAINMENT MEASURES	ADOPTED BUDGET 2022/23	ACTUAL JUNE 2023 (YTD)	SAVINGS
Advertisement&Marketing	4 780 100	3 522 054	1 258 046
Artists and Performers	501 300	448 890	52 410
Stage and Sound Crew	917 400	788 183	129 217
Catering Services	4 139 300	3 383 964	755 336
Entertainment	365 000	220 431	144 569
Communications:SMS Bulk Message Service	998 900	910 322	88 578
Internal Audit Fees	13 707 100	9 652 938	4 054 162
Consultants Sevices	168 523 800	140 505 424	28 018 376
Contracted services - Cleaning Services	9 512 600	7 966 663	1 545 937
Contracted services - Security	82 502 600	82 841 109	(338 509)
Legal Advice and Litigation	12 299 600	7 937 613	4 361 987
Travel and subsistence allowance	6 773 600	4 925 004	1 848 596
Vehicle hire for Public office bearers	159 200	156 415	2 785
TOTAL	305 180 500	263 259 010	41 921 490

Although the cost containment table shows a surplus of R41 million, it must be noted that the items outlined in the cost containment policy excludes expenditure items reported under Mayoral comments above. Management needs to put more effort in preventing expenditure masked as service delivery whereas it contribute to wasteful expenditure. Over-expenditure like Fuel and oil should not be over spent by two times the adjusted budget (R32m overspent).

4.4 OVER-EXPENDITURE

The table below represents operating budget over-expenditures approved by City Manager after adjustment budget:

FUNCTION	FUNCTION DESCRIPTION	GL CODE	GL DESCRIPTION	REASON	AMOUNT
AL	Electricity Distribution	4450000300	Materials and Supplies	Funds required for Materials and Supplies due to unpredictable electrical network maloperation.	4 900 000
BR	Valuation Services	4400001400	Valuers and Assessors	Required for maintenance of the valuation roll.	767 900
BU	Internal Audit	4400006700	Internal Auditors	Funds required for Internal audit outstanding invoices.	1 000 000
BV	Airport	4400000900	Project Management	Required to cater for monthly operations of the Airport.	1 042 400
BV	Airport	4400007800	Air Traffic System	Required to cater for monthly operations of the Airport.	1 940 100
BV	Airport	4500008000	Hire Charges	Required to cater for monthly operations of the Airport.	247 200
CK	Fire Fighting and Protection	4100000500	Non-structured Overtime	Funds required for Overtime	1 492 900
CK	Fire Fighting and Protection	4500006600	Own Transport	Funds required for S&T : Own Transport	130 400
CQ	Traffic Services	4100000200	Non-structured Overtime	Required for Overtime	3 300 000
CQ	Traffic Services	4450000100	Consumption Fuel and Oil	Required for Consumption oil	1 200 000
CT	Community Parks	4400003900	Maintenance of Unspecified Assets	Required for maintenance due to recent storm.	500 000
DC	Solid Waste Removal	4450000300	Inventory Consumed:Materials and Supplies	Purchase of plastic bags/trolley bins	1 450 000
DC	Solid Waste Removal	4500002400	Dumping Fees	Funds required to pay dumping fees outstanding invoices.	2 419 900
DE	Street Cleaning	4100000400	Structured Overtime	Funds required for Overtime	322 000
DM	Water Distribution - Rural Water	4500008100	Hire Charges	Payment of outstanding invoices	9 077 800
DN	Water Distribution - Urban Water	4400003900	Maintenance of Unspecified Assets	Funds required for payment of outstanding invoices.	49 621 300
DQ	Water Distribution - Purification works	4450000500	Materials and Supplies	Required for supply and delivery of chemicals	7 400 000
BP	Security Services	4400004500	Safeguard and Security	Funds required for payment of outstanding invoices.	6 882 000
					93 693 900

Funding for the above over-expenditures that was approved by City Manager will need to be sourced and process virements.

Below are detailed line items that are overspent as 30 June 2023 (interim)

Function	Function Description	Project	Commitment Item	Commitment Item Description	Current Budget	Actuals as at 30 June 2023	over-expenditure
BK	Information Technology	D/BK7BA1.001	4400000900	IE:CS:Busi Advi:Project Management	114 400 200	123 029 488	(8 629 288)
BI	Occupational Clinic	M/BI7BA1.142	4400003800	IE:CS:Contractors:Maintenance of Equipment	10 800	11 870	(1 070)
BF	Fleet Management	V/BF7BA1.006	4400003900	IE:CS:Contractor:Maintenance of Unspecified Assets	-	170 194	(170 194)
DH	Sewerage Pump Station	D/DH5BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	6 322 900	7 517 759	(1 194 859)
BP	Security Services	D/BP7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	7 253 100	7 861 325	(608 225)
DK	Waste Water Treatment	D/DK5BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	491 300	794 496	(303 196)
DQ	Water Distribution - Purification works	D/DQ6BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	934 100	1 166 748	(232 648)
CT	Community Parks (including Nurseries)	D/CT7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	1 061 000	1 284 531	(223 531)
CN	Roads - Urban Roads	D/CN7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	736 600	901 887	(165 287)
DN	Water Distribution - Urban Water	D/DN6BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	650 700	803 609	(152 909)
AC	Halls	D/AC7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	6 353 300	6 496 329	(143 029)
DM	Water Distribution - Rural Water	D/DM6BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	650 700	770 867	(120 167)
CO	Roads - Rural Roads	D/CO7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	1 472 600	1 553 268	(80 668)
CK	Fire Fighting and Protection	D/CK7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	1 338 700	1 418 652	(79 952)
AA	Cemeteries	D/AA7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	1 405 100	1 456 362	(51 262)
DS	Revenue and Expenditure	D/DS7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	2 390 800	2 440 201	(49 401)
CS	Sport and Recreation: Beaches & Jetties	D/CS7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	1 704 400	1 752 388	(47 988)
AG	Museums	D/AG7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	289 300	306 956	(17 656)
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4400004500	IE:CS:Contr:Safeguard and Security	156 600	164 966	(8 366)
AR	Pollution Control	W/AR41A1.001	4400005000	IE:CS:Alien Vegetation Control	-	54 050	(54 050)
AY	Municipal Manager	D/AY7BA1.001	4400006100	IE:CS:Catering Services	3 100	6 700	(3 600)
DR	Financial Management Grant Interns	W/DR13A1.007	4400006700	IE:CS:Internal Auditors	-	347 976	(347 976)
BF	Fleet Management	D/BF7BA1.001	4450000100	IE:Consumption:Fuel & Oil	4 480 000	20 447 781	(15 967 781)
DJ	Storm Water Management	D/DJ5BA1.001	4450000100	IE:Consumption:Fuel & Oil	88 500	6 727 027	(6 638 527)
DC	Solid Waste Removal	D/DC4BA1.001	4450000100	IE:Consumption:Fuel & Oil	8 326 100	10 733 368	(2 407 268)

Function	Function Description	Project	Commitment Item	Commitment Item Description	Current Budget	Actuals as at 30 June 2023	over-expenditure
DM	Water Distribution - Rural Water	D/DM6BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 690 000	3 743 928	(2 053 928)
CT	Community Parks (including Nurseries)	D/CT7BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 720 200	3 044 525	(1 324 325)
CO	Roads - Rural Roads	D/CO7BA1.001	4450000100	IE:Consumption:Fuel & Oil	2 419 500	3 724 664	(1 305 164)
CN	Roads - Urban Roads	D/CN7BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 025 800	1 592 850	(567 050)
AL	Electricity: Distribution	D/AL3BA1.001	4450000100	IE:Consumption:Fuel & Oil	2 075 100	2 588 613	(513 513)
BF	Fleet Management	V/BF7BA1.004	4450000100	IE:Consumption:Fuel & Oil	-	357 740	(357 740)
AI	Elect: Marketing and Customer relations	D/AI3BA1.001	4450000100	IE:Consumption:Fuel & Oil	128 200	457 629	(329 429)
DN	Water Distribution - Urban Water	D/DN6BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 547 800	1 848 229	(300 429)
DE	Street Cleaning	D/DE4BA1.001	4450000100	IE:Consumption:Fuel & Oil	641 000	883 600	(242 600)
CZ	Sport Development and Sportfields	D/CZ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	95 900	294 757	(198 857)
CK	Fire Fighting and Protection	D/CK7BA1.001	4450000100	IE:Consumption:Fuel & Oil	850 400	1 040 308	(189 908)
AL	Electricity: Distribution	M/AL3BA1.016	4450000100	IE:Consumption:Fuel & Oil	-	152 691	(152 691)
DO	Water Distribution - Water Demand Mngm	D/DO6BA1.001	4450000100	IE:Consumption:Fuel & Oil	25 000	140 529	(115 529)
DB	Sports Grounds and Stadiums - Stadium	D/DB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	14 900	129 541	(114 641)
DI	Sewerage - Sewerage Network	D/DI5BA1.001	4450000100	IE:Consumption:Fuel & Oil	385 600	484 141	(98 541)
AP	Street Lighting	D/AP3BA1.001	4450000100	IE:Consumption:Fuel & Oil	308 800	395 439	(86 639)
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	4 200 000	4 274 638	(74 638)
AE	Libraries	D/AE7BA1.001	4450000100	IE:Consumption:Fuel & Oil	14 900	69 107	(54 207)
AC	Halls	D/AC7BA1.001	4450000100	IE:Consumption:Fuel & Oil	319 700	359 200	(39 500)
AB	Buildings Maintenance	D/AB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	316 400	345 220	(28 820)
DL	Water Treatment - Scientific Services	D/DL6BA1.001	4450000100	IE:Consumption:Fuel & Oil	54 500	79 119	(24 619)
CY	Recreational Facilities - Swimming Pools	D/CY7BA1.001	4450000100	IE:Consumption:Fuel & Oil	70 000	94 238	(24 238)
BB	Administrative and Corporate Support	D/BB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	36 600	58 726	(22 126)
BV	Air Transport	D/BV36A1.001	4450000100	IE:Consumption:Fuel & Oil	-	20 281	(20 281)
DS	Revenue and Expenditure	D/DS7BA1.001	4450000100	IE:Consumption:Fuel & Oil	343 200	363 222	(20 022)
BJ	Training and Industrial Relations	D/BJ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	-	19 279	(19 279)

Function	Function Description	Project	Commitment Item	Commitment Item Description	Current Budget	Actuals as at 30 June 2023	over-expenditure
AA	Cemeteries	D/AA7BA1.001	4450000100	IE:Consumption:Fuel & Oil	50 600	69 123	(18 523)
DH	Sewerage Pump Station	D/DH5BA1.001	4450000100	IE:Consumption:Fuel & Oil	308 800	318 600	(9 800)
AW	DMM - City Development	D/AW7BA1.001	4450000100	IE:Consumption:Fuel & Oil	-	6 813	(6 813)
CP	Taxi Ranks	D/CP7BA1.001	4450000100	IE:Consumption:Fuel & Oil	-	1 424	(1 424)
BI	Occupational Clinic	D/BI7BA1.001	4450000100	IE:Consumption:Fuel & Oil	6 600	7 874	(1 274)
BZ	Corporate Wide Strategic Plan (IDPs, LED	D/BZ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	13 800	14 932	(1 132)
AL	Electricity: Distribution	M/AL3BA1.016	4450000300	IE:Inventory Consumed:Materials and Supplies	20 741 000	21 877 097	(1 136 097)
AL	Electricity: Distribution	E/AL2CA1.001	4450000300	IE:Inventory Consumed:Materials and Supplies	-	323 264	(323 264)
BZ	Corporate Wide Strategic Plan (IDPs, LED	W/BZ37A1.001	4500000300	IE:Op Cost:Adver&Market:Corp&Municipal Activities	-	100 700	(100 700)
DC	Solid Waste Removal	D/DC4BA1.001	4500003700	IE:Op Cost:Insurance:Claims paid to Third Parties	35 600	46 739	(11 139)
BF	Fleet Management	D/BF7BA1.001	4500003800	IE:Op Cost:Insurance:Excess Payments	814 800	842 603	(27 803)
AS	Mayor and Council	D/AS7BA1.001	4500003900	IE:Op Cost:Insurance Underwriting:Premiums	414 600	469 225	(54 625)
DQ	Water Distribution - Purification works	D/DQ6BA1.001	4500004000	IE:Op Cost:Levies Paid-Water Resource Manag Charge	19 561 300	38 113 961	(18 552 661)
DN	Water Distribution - Urban Water	D/DN6BA1.001	4500006600	IE:Op Cost:Travel&subsis:Domestic:Own Transport	4 000	5 426	(1 426)
					220 754 500	286 978 790	(66 224 290)

Departments need to identify savings within their functions to fund the above over-expenditure.

5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1611993**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

6. SUPPLY CHAIN MANAGEMENT POLICY

LEGISLATIVE FRAMEWORK

- Supply Chain Management Policy.
- Contract Management Policy.

SUPPLY CHAIN MANAGEMENT POLICY

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

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

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

CONTRACT MANAGEMENT POLICY

- **Statutory reporting and compliance**

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

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical considering the legislative requirements that should be fulfilled to avoid Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure.

- **Internal Audit**

There was no internal audit in Quarter 4 of 2022/23 financial year.

- **Training and Workshops**

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

Date	Number of Beneficiaries	Training/Workshop	Service Provider
05 - 09 June 2023	5	Presentations of the Four day Process mapping and improvement workshops for red tape reduction and ease of doing business in the City of uMhlathuze	Department of Small Business
19 - 21 June 2023	13	MFMA Circular 106	National Treasury
27-Jun-23	13	Kwazulu Natal Provincial Supply Chain Management Forum	Provincial Treasury

- **Supply Chain Management Module - uMSAP**

During the quarter, as a requirement from National Treasury, the Department embarked on a project to interface the Central Supplier Database with Council's database. After the complete exercise, it will reduce the time and resources required to complete the database application forms. The SCMU will only require the MAAA_CSD registration number and the confirmation of the bank details.

DEMAND AND ACQUISITION MANAGEMENT

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

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Jan-23	107
Feb-23	49
Mar-23	20
	176

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

A list of orders in excess of R100 000 is included under - **Annexure AP on DMS 1594385**.

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

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

There was one deviation for the fourth quarter which amounts to R71 870.00 (Annexure AQ - DMS 1594385):

DEVIATIONS AS AT THE QUARTER ENDED 30 JUNE 2023										
	QUARTER 1		QUARTER 2		QUARTER 3		QUARTER 4		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value	No.	Value	No.	Value	No.	Value		
Corporate Services (CS)	-	-	2	1 470 739	1	2 678 098	1	71 870	4	4 220 708
Technical Services (TS)	-	-			1	14 179 327	-	-	1	14 179 327
Electricity and Energy Services (EES)	3	6 477 985	1	61 400	-	-	-	-	4	6 539 384
Office of the Municipal Manager	1	672 000	-	-	2	247 000	-	-	3	919 000
Total	4	7 149 985	3	1 532 139	4	17 104 425	1	71 870	12	25 858 419

AWARDED TENDERS QUARTER 4 – 2022/23

MONTH	NUMBER OF AWARDS	TOTAL
Apr-23	2	90 554 634
May-23	3	86 498 185
Jun-23	7	106 268 910
TOTAL	12	283 321 729

TENDER ADMINISTRATION

TENDER NUMBERS ISSUED, PUBLISHED, CANCELLED AND SITTING OF BID COMMITTEES				
Number of tenders numbers issued to user departments	Number of tenders published	Number of tenders Cancelled	Number of Bid Committees seated and cancelled	
			Seated	Cancelled
22	28	8	BSC 11	1
			BEC 12	3
			BAC 27	4

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

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

APPROVAL OF TENDERS NOT RECOMMENDED	
	Total
Number of approved Tenders not recommended by Bid Evaluation in terms of Supply Chain Management Policy clause 29(7)(a)	0

- Purchase Order report reflecting Supply Chain Management performance in terms of the category of suppliers in Quarter 4:

	April	May	June	Total per group	% per SCM Policy	HDI	Percentages
Total spend per month	127,774,282.75	101,731,440.12	210,841,474.18	440,347,197.05			
State owned	345,277.60	1,664,052.50	7,026,673.19	9,036,003.29			
Total spend excluding state owned	127,429,005.15	100,067,387.62	203,814,800.99	431,311,193.76	0%	431,311,193.76	
Local - Women	31,196,768.71	17,952,485.45	35,277,957.26	84,427,211.42	30%	129,393,358.13	65%
Local - Youth	24,505,509.75	5,085,634.14	35,878,902.38	65,470,046.27	30%	129,393,358.13	51%
Local - Disabled	-	86,500.00	171,694	258,194.00	20%	86,262,238.75	0%
Military Veterans	-	-	-	-	20%	86,262,238.75	0%

The bar chart displays the following data series:

- Total spend per month:** April (127,774,282.75), May (101,731,440.12), June (210,841,474.18), Total per group (440,347,197.05).
- State owned:** April (345,277.60), May (1,664,052.50), June (7,026,673.19), Total per group (9,036,003.29).
- Total spend excluding state owned:** April (127,429,005.15), May (100,067,387.62), June (203,814,800.99), Total per group (431,311,193.76).
- Local - Women:** April (31,196,768.71), May (17,952,485.45), June (35,277,957.26), Total per group (84,427,211.42).
- Local - Youth:** April (24,505,509.75), May (5,085,634.14), June (35,878,902.38), Total per group (65,470,046.27).
- Local - Disabled:** April (-), May (86,500.00), June (171,694), Total per group (258,194.00).

• Report on Objections and Complaints

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

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

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

(b) Objections and Complaints Table:

01 APRIL TO 30 JUNE 2023	
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
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 49)	
Details of objections or complains for tenders	Tender 8/2/1/UMH7825-20/21: Upgrading of Richards Bay taxi/bus terminals
Against the procurement process	N/A
Against the decision or action	Yes

CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 4	
Details	Number
Contracts Expiring in 6 months	72
Total Contracts Carried Over from 01/04/2023	196
Total Effective Contracts 2022/23 - Quarter 4	149
Total Contracts closed in 2022/23 - Quarter 4	38
Total Captured in Quarter 4	13
Number of Contracts amended using 15% and 20 threshold	5

VIARIATION ORDER AND EXPANSIONS			
Contracts which were amended using the 15% and 20% thresholds contained in MFMA Circular 62			
Number	Tender	Awarded to	Total Variance Order
8/2/1/UMH587-21/22	Construction of a Public Swimming Pool Facility at Vulindlela	RIVER QUEEN TRADING JV BHEKA PHEZULU	R6 437 275,18
8/2/1/UMH831-20/21	Airport Backup System	THESHANI TRADING ENTERPRISE (PTY) LTD	R524 233,71
DEV20/21-019	Purchase new 2X 0MVA Transformers for Hercules Substation	THESHANI TRADING ENTERPRISE (PTY) LTD	R5 977 932,44
DMS 1490147	Supply, Delivery, Off-load and Install 132/11kV 30/45MVA Power Transformer and Associated	THESHANI TRADING ENTERPRISE (PTY) LTD	R4 364 838,45
DMS 1490148	Scorpio Permanent Solution	IMBAWULA TECHNICAL SERVICES AND SUPPLIERS GROUP	R2 871 924,61

MONTHLY STOCK COUNT

The Stock Count results for Quarter 4 ending 30 June 2023 are as follows:

STOCK TAKE RECONCILLIATION FOR THE PERIOD ENDED 30 JUNE 2023	
DESCRIPTION	AMOUNT
Stock value before stocktake	36 535 415,16
Positive Variance	201 975,02
Negative Variance	-174 658,12
Ommissions	-
Fuel Value Before Stock Take	982 590,51
Unfavourable Variances	-2 133,30
Favourable	11 552,10
Inventory Value After Stock Take (Before receipt and issues during stock take)	37 554 741,37
Issues During Stock Take	-1 814 591,26
Receipts During Stock Take	402 019,45
Stock Written Off	-
Inventory for the Year	36 142 169,56

PART 3 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting Table SC3 - Aged Debtors (**Annexure M – DMS 1611993**) for the month ended 30 June 2023.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N – DMS 1611993**) for the month ended 30 June 2023.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O – DMS 1611993**) for the month ended 30 June 2023.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and Grant receipts (**Annexure P – DMS 1611993**) and supporting table SC7 - Transfers and Grant expenditure (**Annexure Q – DMS 1611993**) for the month ended 30 June 2023.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and Staff Benefits (**Annexure R – DMS 1611993**) for the month ended 30 June 2023.

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

The first Quarter progress on the quarterly projections of Service Delivery Targets and Performance Indicators is indicated on **Annexures AM (DMS 1594385)**.

Although the detailed Component 5 as **Annexure AM (DMS 1594385)**, the tables below depict a summary of the most applicable components thereof.

NB: (Please note when looking at the detailed version of Component 5 - **Annexure AM (DMS 1594385)** each Vote is illustrated in number order on the extreme left, Vote details of which is illustrated over 3 pages):

DEPARTMENT	ADJUSTED BUDGET 2022/2023	SUPPLEMENTS/ (RETURNS)	VIREMENTS	FINANCIAL SYSTEM BUDGET 2022/23	ACTUAL JUNE 2023 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	77 346 600	-	(56 891 100)	20 455 500	8 738 751	43%
CITY DEVELOPMENT	77 346 600	-	(56 891 100)	20 455 500	8 738 751	43%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	237 483 800	(6 944 000)	(31 073 800)	199 466 000	178 690 059	90%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	15 487 000		(4 501 600)	10 985 400	7 407 272	67%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	221 665 900	(6 944 000)	(26 408 900)	188 313 000	171 179 206	91%
COMMUNITY SERVICES - PROTECTION SERVICES	330 900		(163 300)	167 600	103 581	62%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	85 822 100	-	480 300	86 302 400	76 287 219	88%
CORPORATE SERVICES - ADMINISTRATION	35 528 000		627 700	36 155 700	21 991 498	61%
CORPORATE SERVICES - ICT	49 934 100		(147 400)	49 786 700	54 107 749	109%
CORPORATE SERVICES - LEGAL SERVICES	25 000	-	-	25 000	2 666	11%
CORPORATE SERVICES - HUMAN RESOURCES	335 000	-	-	335 000	185 306	55%
CHIEF FINANCIAL OFFICER	10 461 400	-	(22 000)	10 439 400	6 212 893	60%
FINANCIAL SERVICES	10 461 400		(22 000)	10 439 400	6 212 893	60%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	85 492 000	6 965 000	27 287 000	119 744 000	92 897 458	78%
ELECTRICAL SUPPLY SERVICES	85 492 000	6 965 000	27 287 000	119 744 000	92 897 458	78%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	584 867 800	31 393 400	60 288 600	676 549 800	624 609 687	92%
ENGINEERING SUPPORT SERVICES	119 852 600	22 000 000	(56 320 100)	85 532 500	74 730 984	87%
TRANSPORT, ROADS AND STORMWATER	89 205 200	(4 236 600)	(11 955 400)	73 013 200	48 495 475	66%
WATER AND SANITATION	375 810 000	13 630 000	128 564 100	518 004 100	501 383 228	97%
OFFICE OF THE MUNICIPAL MANAGER	135 000	-	(69 000)	66 000	41 189	62%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	135 000	-	(69 000)	66 000	41 189	62%
TOTAL CAPITAL BUDGET	1 081 608 700	31 414 400	-	1 113 023 100	987 477 255	89%

13. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 30 June 2023:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G – DMS 1611993**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H – DMS 1611993**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U – DMS 1611993**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V – DMS 1611993**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W – DMS 1611993**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X – DMS 1611993**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y– DMS 1611993**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1611993**).

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1612338 (Annexure AR)**.

PART 4 - OTHER LEGISLATION REQUIREMENTS

15. WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003), the Accounting Officer must within 30 days after the end of each quarter, table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AP (DMS 1594385)** for Form D.

“Withdrawals from municipal bank accounts-

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

None

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

None

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

None

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

R21 939 549,00 (NPA vehicle licence pay over).

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

R25 930,16

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

R922 774,74 (Refund of credit balances and deposits debtors accounts).

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

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

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

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

COMMENTS OF THE CHIEF FINANCIAL OFFICER

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

COMMENTS OF THE MUNICIPAL MANAGER

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

DISCUSSION HELD AT THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 28 JULY 2023

The Chief Financial Officer gave an overview of the contributors that resulted in the interim deficit exceeding the budget deficit of R155,9 million by R250,2 million. It was pointed out that some of the areas of revenue had underperformed than anticipated such as electricity and water. In other areas Council had incurred unforeseen expenditure with the payment of a substantial amount towards maintenance costs, a high amount of debt written off for King Cetshwayo District Municipality and the ever increasing cost of security. Water loss is another bone of contention that has significantly contributed to the deficit. It bears noting that the municipal cash flow is also not at an acceptable level with the current ratio sitting at below the norm. However, it was pointed out that these are interim results for the year ended June 2023 and the figures may change depending on the Financial Statements at the end of August 2023.

The Committee noted the report with serious concerns and requested that investigations be conducted on the contributing factors and that the Administration must implement strategies with pre-determined timelines in order to mitigate the losses and improve the revenue sources. It was pointed out that maintenance is an ongoing challenge and the option of utilising internal resources should be pursued in earnest. The Committee was reminded that the payment of maintenance costs in the current financial year is only a portion and the remainder will need to be incorporated in the ensuing year. Water loss is another major challenge and the municipality needs to undertake a mass roll out of water meters, especially in the traditional areas to ensure that all consumers across the municipal area pay for the services rendered. The municipality cannot allow the continued high water losses that is financially crippling its operations.

Further discussion ensued and it was stated that whilst the municipality strives to improve its services, the government departments need to revise their funding models in respect of grants as the municipality cannot afford to continue to co-fund projects at a significantly higher amount than the grant allows as it impacts on the municipal budget.

In view of the above comments raised and on approval by Cllr I J Naidoo, seconded by Cllr S N Ntshangase it was agreed that the following recommendations be included:

- An action plan be development to deal with the major expenditure contributors as contained in the report.
- **The Administration engages all provincial government departments where the municipality is performing a function on their behalf to ensure that adequate resources are provided to undertake the various projects.**

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 30 June 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 1611993)** including the quarterly requirements in terms of Section 52(d) be noted;
2. savings as per Municipal Cost Containment Regulations **(under 4.3)** be noted;
3. Rescind Recommendation 6 of Resolution 16426 dated *“an additional write off valued at R125 395 248,09 for the 2022/2023 be approved”*

and replaced with

The King Cetshwayo District Municipality accounts be reduced retrospectively with a water tariff of R16.20/kl for the years 2017/18 to 2022/23 to the value of R125 395 248,09 excluding VAT, be approved.

4. An action plan be development to deal with the major expenditure contributors as contained in the report; and
5. the Administration engages with all provincial government departments where the municipality is performing a function on their behalf to ensure that adequate resources are provided to undertake the various projects.