

## COVER PAGE

**THIS COVER PAGE MUST BE COMPLETED BEFORE SUBMITTING THE REPORT TO THE COMMITTEE SECTION:**

**I, S MNGOMEZULU, declare that the information in this report is adequately researched with the information at my disposal and is correct and credible to the best of my knowledge.**

Report writer's Signature	Manager's Signature	Head of Section's Signature
S Mngomezulu	C Da Cruz	H Renald
Name In Block Letters	Name In Block Letters	Name In Block Letters
Contact number: x5315	Contact number: x5319	Contact number: x5091
Date: .....	Date: .....	Date: .....
Deputy City Manager's Signature		
M Kunene		
Name In Block Letters		
Contact number: x5092		
Date: .....		
<b>STOP!!! STOP!!!! COM SEC WILL SUBMIT TO MM FOR SIGNATURE</b>	<b>HOS: ADMINISTRATION</b>	<b>CITY MANAGER'S</b>
	Signature	Signature
COMMITTEE SECTION		
MS L STHOLE	MR A LOMBAARD	MR N G ZULU
Contact number: 5070	Contact number: 5186	Contact number: 5023
Date: .....	Date: .....	Date: .....

**Attachments:** Report writers must ensure that all the necessary and appropriate annexures are SEMIPRIV VIEW AND SHARE and are available electronically. Please ensure that all pages are numbered correctly. If no SHARING rights are allocated, the Committee Section cannot drop attachments in dropbox for agendas) as Annexures will no longer be included in reports.

Once all the above signatures have been obtained, the report is to be scanned and sent via GroupWise to the COMMITTEE SECTION, relevant COMMITTEE OFFICER and the original signed HARD copy be placed in the box OUTSIDE THE PRINTING ROOM AND ENTERED INTO THE REGISTER/CLIPBOARD. Once we are done with the reports and agendas, the hard copy will be returned to you/your department to retain for Auditing purposes.

**FINANCIAL REPORTING AS AT 31 AUGUST 2023****PURPOSE**

To submit for noting the financial position of the uMhlathuze Municipality as at 31 August 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 August 2023 is included under **Annexures AA and AB (DMS 1624343)**.

## TABLE OF CONTENTS

<b>PART 1 - IN-YEAR REPORT</b>	
1.	Mayor's report for the month of August 2023
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 per Category
3.7	Executive Summary - Surplus and Deficit by Function
3.8	Executive Summary - Creditors Age Analysis
3.9	Executive Summary - Debtors Age Analysis
3.10	Executive Summary - Employee Debt and Councillor Debt
3.11	Executive Summary – Financial Ratios
4.	In-year budget statement tables
<b>PART 2 - SUPPORTING DOCUMENTATION</b>	
5.	Debtors' Analysis
6.	Creditors' Analysis
7.	Investment portfolio analysis
8.	Allocation and grant receipts and expenditure
9.	Councillor allowances and employee benefits
10.	Capital programme performance
11.	Municipal Manager's quality certification

## PART 1 - IN-YEAR REPORTING

### 1. MAYOR'S REPORT FOR THE MONTH OF AUGUST 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 August 2023, and the performance of the Municipality against its budget is in line with the Adopted Budget that was approved by Council in May 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 August 2023 (year to date actual) shows a surplus of R163,2 million. The performance in this area is **Acceptable**.

#### **Capital Budget**

Council is in the first quarter of the financial year and capital expenditure is low at R108,3 million (13,49%). This is based on the Adopted Budget of R802,9 million. 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 1,60:1 (Cash in Bank against average monthly liability's – R544 322 / R340 197). 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 August 2023:

DESCRIPTION	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL AUGUST 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	4 931 450 700	1 004 543 483	1 072 577 511	106,77%
Expenditure	4 937 023 600	919 245 550	909 396 905	98,93%
Operating Surplus/(Deficit)	(5 572 900)	85 297 933	163 180 605	

Revenue excludes capital grants which are shown under 3.4 Capital Budget Summary source of funding.

Below is the financial performance dashboard extracted from **SAP Reports and Dashboard Module**. It depicts the results as at the end of the month of August 2023 (year to date).

**NB: Management are encouraged to make use of the dashboard for ease of reference on the financial performance and capital expenditure. Please contact budget office and ICT for assistance with reports and dashboard.**



## COU - FINANCIAL PERFORMANCE DASHBOARD FOR: AUGUST, 2023



### Revenue (R '000)

5,150,287	Original Budget
0	Adjusted Budget
404,800	Monthly Actual
1,072,578	YTD Actual
1,044,884	YTD Budget
5,150,287	System Budget

### Expenditure (R '000)

4,937,024	Original Budget
0	Adjusted Budget
484,483	Monthly Actual
909,397	YTD Actual
878,188	YTD Budget
4,937,024	System Budget

### Capital Transfers & Subsidies (R '000)

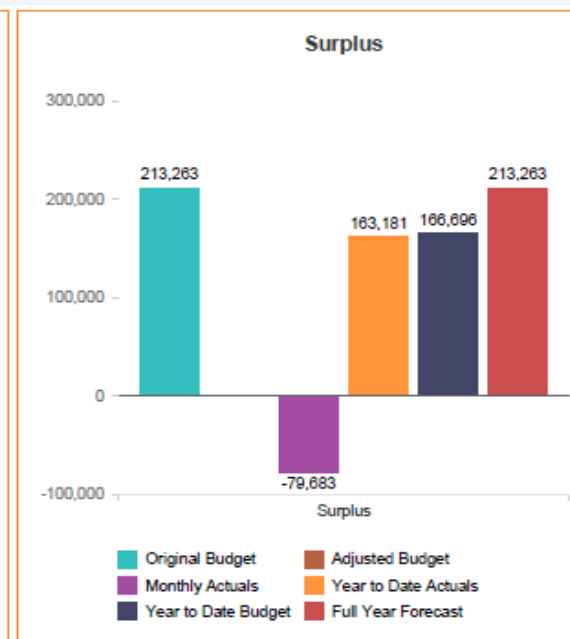
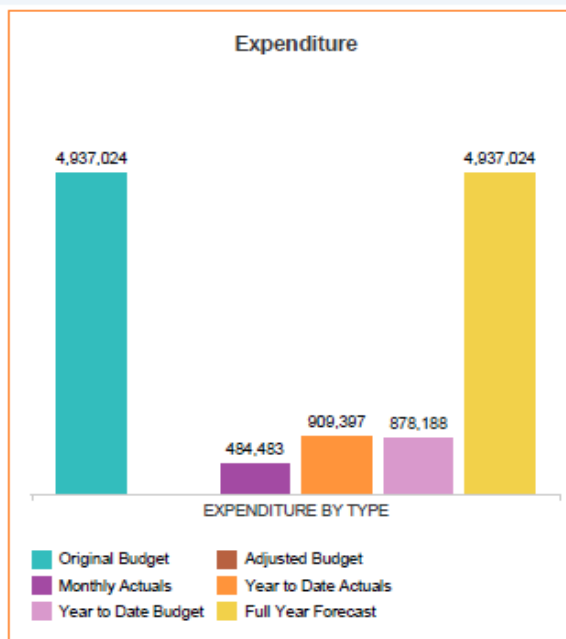
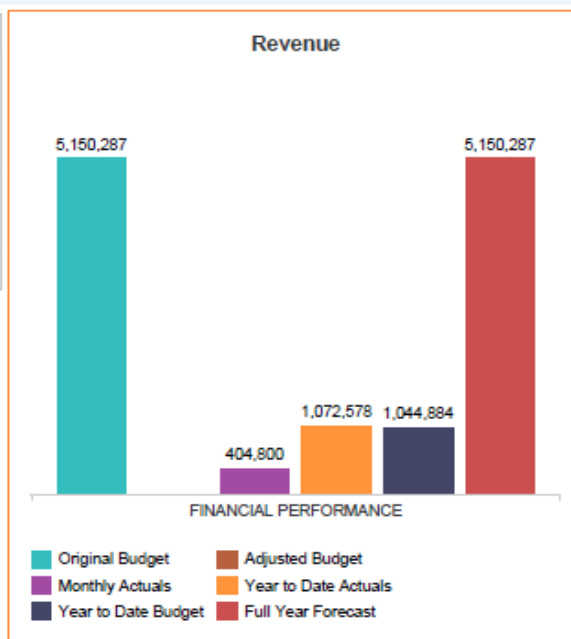
218,836	Original Budget
0	Adjusted Budget
0	Monthly Actual
0	YTD Actual
83,674	YTD Budget
218,836	System Budget

### Surplus/(Deficit) for the year excluding Transfers & Subsidies (R '000)

213,263	Original Budget
0	Adjusted Budget
-79,683	Monthly Actual
163,181	YTD Actual
166,696	YTD Budget
213,263	System Budget

### Overview Revenue & Expenditure Analysis

- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget



### **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 1,60:1 (544 322/340 197).

This is fundamentally due to over-expenditure in the last financial year. Expenditure of which had to be funded from internal reserves, practice of which is not sustainable.



### 3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 31/08/2023	ACTUAL EXPENDITURE AS AT 31/08/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>NATIONAL TREASURY</b>						
Equitable Share	520 860 000	217 025 000	86 810 000	40%	17%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services.
Intergrated Urban Development Grant-IUDG	153 196 000	62 000 000	28 104 405	45%	18%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 500 000	2 500 000	284 224	11%	11%	The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement Finamace Management Act (MFMA).
Water services infrastructure grant	55 000 000	22 000 000	6 096 508	28%	11%	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	3 089 000	772 000	390 546	51%	13%	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.
Integrated National Electrification Programme Grant	14 000 000	4 000 000		0%	0%	The grant is to address the electrification backlog of all exisiting and planned residential dwellings and to install and relevant bulk infrastructure.
Energy Efficiency and Demand Management	5 000 000	2 000 000	-	0%	0%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. No capital expenditure has been incurred in the period under review.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>753 645 000</b>	<b>310 297 000</b>	<b>121 685 683</b>	<b>39%</b>	<b>16%</b>	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 31/08/2023	ACTUAL EXPENDITURE AS AT 31/08/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>PROVINCIAL TREASURY</b>						
Provincialisation of Libraries	9 593 000	-	5 958 380	0%	62%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 033 000	-	462 321	0%	23%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	4 429 000	4 231 346	3 647 101	86%	82%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	249 000	-	683 003	0%	274%	Grant will only be received once an MOA has been signed. This MOA is in the process of being finalised. Expenditure shown is the total actual operating costs of the Museum for the period under review.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>16 304 000</b>	<b>4 231 346</b>	<b>10 750 805</b>	<b>0%</b>	<b>66%</b>	
				-		
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>769 949 000</b>	<b>314 528 346</b>	<b>132 436 488</b>	<b>42%</b>	<b>17%</b>	

### 3.4 Capital Budget Summary

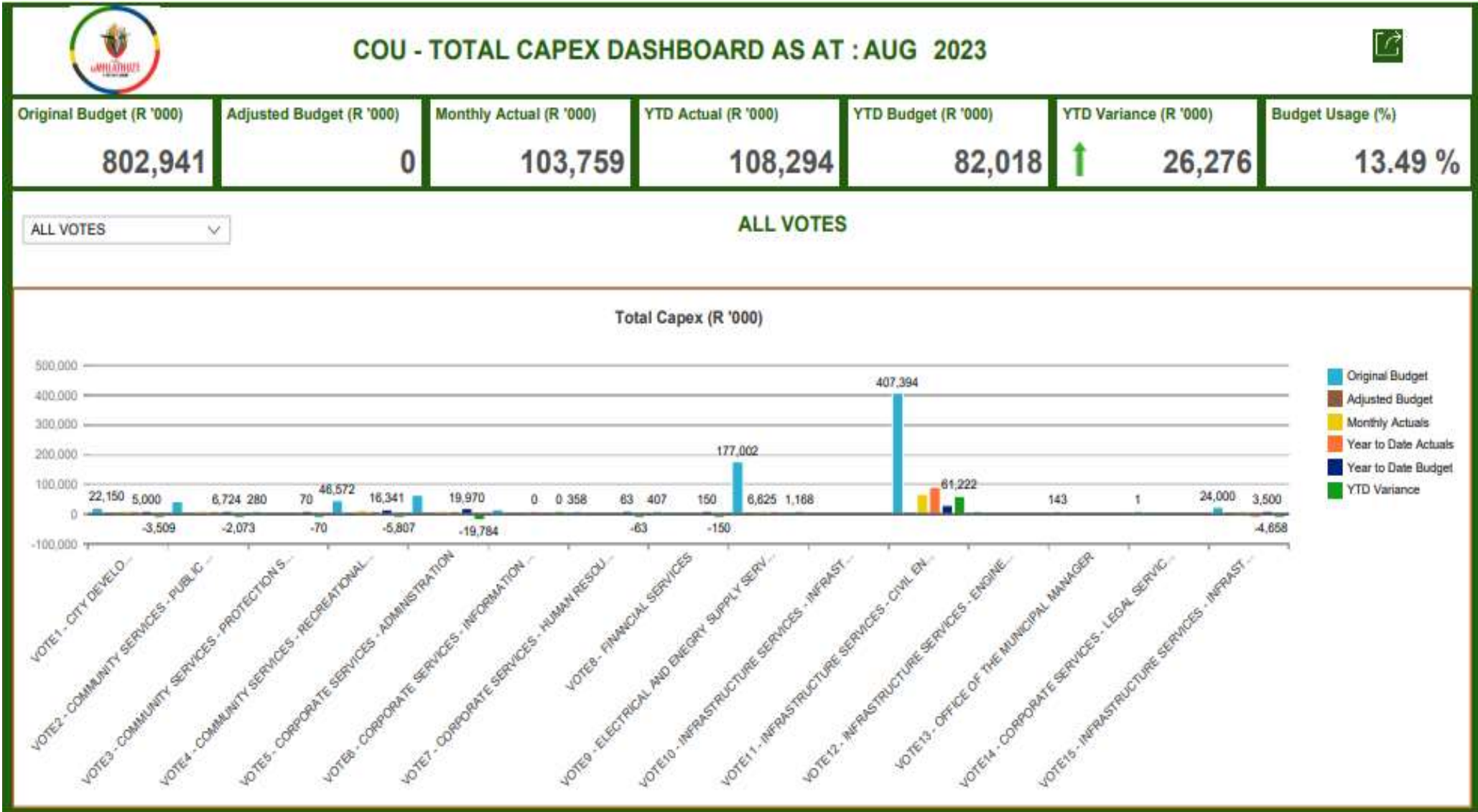
The table below represents Capital Expenditure incurred as at 31 August 2023:

<b>FUNCTION</b>	<b>ADOPTED BUDGET 2023/2024</b>	<b>ACTUAL AUGUST 2023 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Finance and Administration	68 672 500	-	0,00%
Community and Social Services	71 073 500	-	0,00%
Energy Sources	125 935 000	1 167 733	0,93%
Executive and Council	118 000	-	0,00%
Environmental Protection	1 248 000	-	0,00%
Air Transport - Air port	5 444 000	441 958	8,12%
Planning and Development	22 127 000	1 490 704	6,74%
Public Safety	1 785 000	-	0,00%
Road Transport	131 940 000	11 715 503	8,88%
Sport and Recreation	34 619 900	10 534 158	30,43%
Waste Management	12 230 000	1 936 068	15,83%
Waste Water Management	125 265 800	20 243 054	16,16%
Water	202 482 400	60 764 822	30,01%
	<b>802 941 100</b>	<b>108 294 000</b>	<b>13,49%</b>

#### Capital Expenditure by Source of Funding

<b>SOURCE OF FUNDING</b>	<b>ADOPTED BUDGET 2023/2024</b>	<b>ACTUAL AUGUST 2023 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	406 569 000	53 663 052	13,20%
Capital Replacement Reserve	177 535 900	22 924 589	12,91%
Integrated Urban Development Grant	145 536 200	31 706 360	21,79%
Government Grants - National	73 300 000	-	0,00%
<b>TOTAL</b>	<b>802 941 100</b>	<b>108 294 000</b>	<b>13,49%</b>

Capital Expenditure by vote (departments)



## Capital Virements:

The table below represents Capital Virements / Transfers made by the respective departments during the period 1 August 2023 to 31 August 2023:

FROM					TO					
Date Received	Department	Project Number From	Project Description	Amount	Project Number To	Project Description	Commitment Item To	Comments by Departments	Amount	RPT Number
16/08/2023	IS-Water and Sanitation	I/DMBD27.001	Ngwelezane A Pipe Replacement	3 355 700	I/DNBDA1.038	Replacement of 600mm Pipe With 630mm HDPE At Mzingwenya River	1001030700	Required for outstanding capital Invoices	7 483 700	176293
		N/DNBDA1.003	Data Loggers	2 000 000						
		I/DNBDA1.019	Lofthheim Reservoir Upgrade	1 500 000						
		I/DOBD28.001	Madlebe (Bomvini) Reservoir 6 Upgrade	1 500 000	I/DNBDA1.030	Replacement Of 250mm AC Pipe From Ngwelezane Reservoir	1001030700		2 372 000	
		I/DOBD29.001	Madlebe (Iniwe) Reservoir Upgrade	1 500 000						
		I/DNAMA1.002	Replacement of Khoza Pumping Line	1 934 600	I/DNAMA1.010	Replacement of 600mm Pipe With 630mm HDPE At Mzingwenya River	1001030700		6 865 000	
		I/DOAMA1.001	Replacment of Bulk Water Meters	2 500 000						
I/DOAM02.253	New Water Meters	4 500 000	I/DNAMA1.026	Replacment Of Outlet Valve At Pearce Crescent	1001030700	2 069 600				
17/08/2023	Community Services	N/DBBDA1.003	uMhlathuze Stadium Refurbishment	700 000	N/AABDA1.004	Empembbeni Cemetery Fencing	1002011100	Required to provide for the fencing of Empembeni Cemetery.	700 000	176315
17/08/2023	Community Services	N/BKAMA1.005	New IT Equipment for Safer City CCTV Centre	500 000	N/ADAMA1.021	Refurbishmnet Of The Pound/Storage Facility In Alton	1003010100	Required to provide for the fencing of the Pound (Storage facility) situated in Alton.	500 000	176315
17/08/2023	Community Services	N/AEBDA1.020	Richards Bay Library RFID Security System	250 000	N/AEBDA1.006	All Libraries Staff Chairs	1002011000	Required to address the critical shortage of chairs and other furniture and office equipment across umhlathuze libraries.	150 000	176315
					N/AEBDA1.011	Libraries : Furniture and Equipment	1002011000		100 000	
21/08/2023	Community Services	N/CYNDA1.069	Lane Reels	56 000	N/CYBDA1.072	Improvement/Renovations to Empangeni Pool	1002020200	Refurbishment of the Empangeni Swimming Pool.	56 000	176315
21/08/2023	IS-Storm Water	N/CNAMA1.001	Machinery and Equipment - Roads	500 000	N/ADAMA1.020	Upgrade and Renovations to Road and Stormwater Depots	1003011000	Funds needed for Renovations of Depots.	500 000	176354
21/08/2023	Community Services	N/DBBDA1.001	Fencing uMhlathuze Stadium	1 500 000	N/CYBDA1.001	Kwadlangezwa Swimming Pool	1002020200	To supplement the shortage that exist in order to process July payment certificate.	1 500 000	176315
22/08/2023	Community Services	N/CRBDA1.041	Equipment for Traffic Licensing	34 000	N/CRBDA1.001	Furniture for Traffic Licensing	1003030100	Required for the procurement of new chairs for Empangeni Licencing office.	34 000	
				22 330 300					22 330 300	

The acceleration and completion of existing projects is supported. However, it must be noted that transferring funds from budgeted projects may have a negative impact on service delivery. Departments are urged to budget correctly and ensure that they adhere to their budgeted amounts. The Virements that has been processed so far indicate that there is a new budget that has not been approved by Council. A total of R107,4 million of virements (July 2023 – R85m and R22,3m in August 2023) is a concern considering that it is only the second month of the financial year.

In terms of the approved Virement Policy, user departments are required to submit a report to Council on any capital virements made during the quarter and provide explanations as why these virements were necessary.

### 3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL AUGUST 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 212 559 100	194 606 900	189 267 502	97,26%
Remuneration of Councillors	35 509 700	5 918 600	4 883 074	82,50%
Bulk Purchases - Electricity	1 492 128 200	346 809 800	313 879 561	90,50%
Inventory consumed - Water	306 540 400	80 358 000	85 427 894	106,31%
Inventory consumed - Materials	154 438 600	20 354 200	24 985 988	122,76%
Debt Impairment	173 882 500	28 679 600	27 594 535	96,22%
Depreciation and asset impairment	320 159 500	53 359 917	52 458 822	98,31%
Finance Charges	130 490 500	21 748 400	24 745 063	113,78%
Contracted Services	409 217 200	51 519 800	63 931 136	124,09%
Transfers and Subsidies	14 758 700	1 333 800	1 137 500	85,28%
Irrecoverable debts written off	-	-	8 977 704	0,00%
Operational costs	343 729 600	57 288 267	52 717 632	92,02%
Losses - Water Inventory (note 1)	343 609 600	57 268 267	59 390 494	103,71%
<b>TOTAL</b>	<b>4 937 023 600</b>	<b>919 245 550</b>	<b>909 396 905</b>	<b>98,93%</b>

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

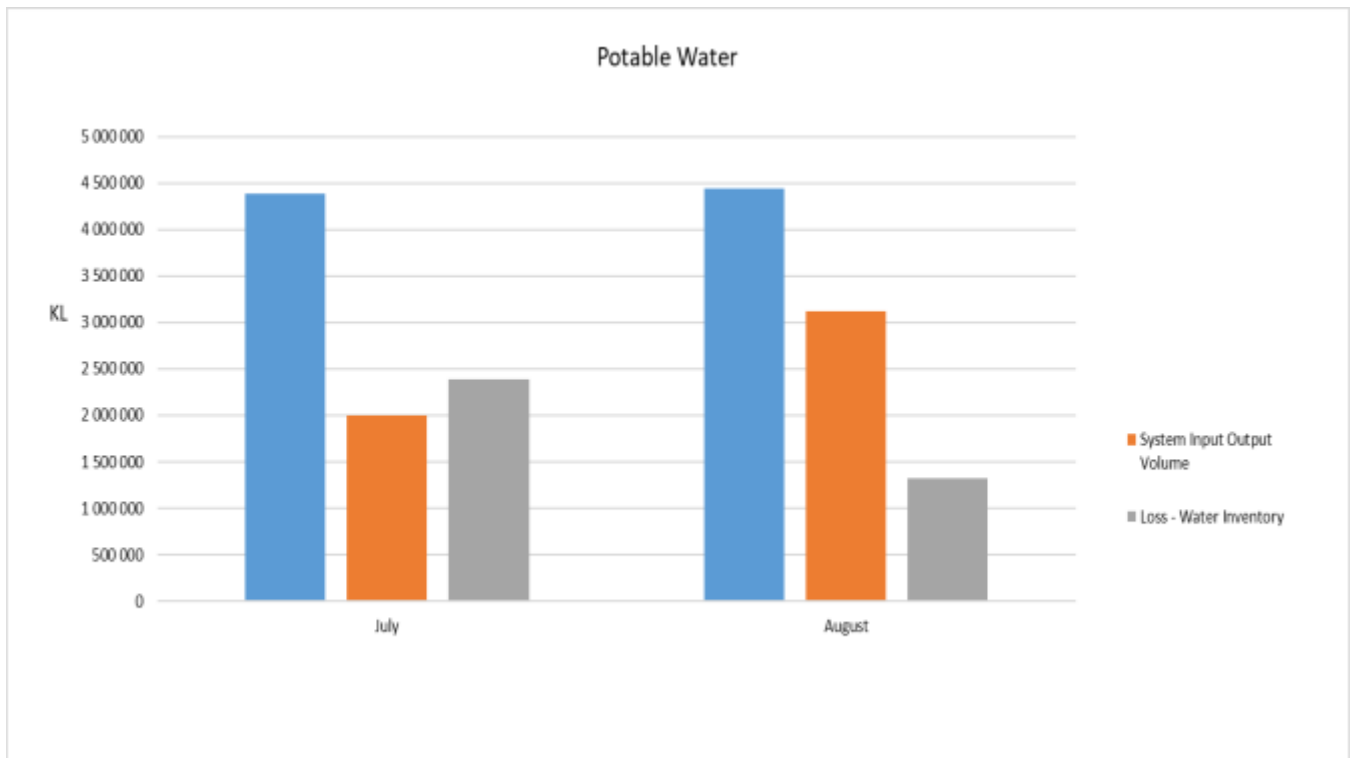
Note 1 and 2 above:

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)	300 038 800	282 415 300	17 623 500	84 582 073	80 525 962	4 056 111
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	845 821	805 260	40 561
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	85 427 894	81 331 222	4 096 672
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	59 390 494	59 030 279	360 215
<b>Total Water Inventory (Consumed plus losses)</b>	<b>650 150 000</b>	<b>630 485 700</b>	<b>19 664 300</b>	<b>144 818 387</b>	<b>140 361 501</b>	<b>4 456 887</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)	28 981 398	24 231 398	4 750 000	5 715 835	5 056 843	658 992
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	57 158	50 568	6 590
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	5 772 993	5 107 411	665 582
Loss - Water Inventory	29 820 657	29 323 657	497 000	3 779 505	3 718 318	61 186
% Loss - Water Inventory	50,2%	54,2%	9,4%	39,6%	42,1%	8,4%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>59 396 015</b>	<b>54 096 015</b>	<b>5 300 000</b>	<b>9 552 498</b>	<b>8 825 730</b>	<b>726 768</b>

Potable Water Inventory - in Units (kl)		
Water Inventory	July	August
System Input Volume	4 380 459	4 445 271
System Input Output Volume	1 997 129	3 123 940
Loss - Water Inventory	2 383 330	1 321 331





### 3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL AUGUST 2023 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
<b>Exchange Revenue</b>				
Service Charges – Electricity revenue	2 150 331 000	380 900 000	389 793 747	102,33%
Service Charges – Water revenue	588 970 400	98 161 733	99 074 136	100,93%
Service charges - Waste Water Management	119 676 200	19 946 033	19 999 792	100,27%
Service charges - Waste management	114 791 500	19 131 917	18 965 882	99,13%
Sale of Goods and Rendering of Services	12 365 800	1 124 600	468 641	41,67%
Agency services	6 364 800	1 060 800	2 273 655	214,33%
Interest earned from Receivables	29 400	4 900	-	0,00%
Interest from Current and Non Current Assets	64 500 000	10 750 000	9 085 858	84,52%
Rent on Land	849 900	141 650	328 830	232,14%
Rental from Fixed Assets	16 073 500	2 678 917	6 305 480	235,37%
Operational Revenue	8 624 600	1 437 433	2 915 718	202,84%
<b>Non-Exchange Revenue</b>				
Property rates	736 829 200	150 541 700	169 841 846	112,82%
Surcharges and Taxes	6 332 000	1 055 333	15 033 332	1424,51%
Fines, penalties and forfeits	15 753 500	2 625 583	770 246	29,34%
Licence and permits	3 631 700	605 283	463 689	0,00%
Transfers and subsidies - Operational	551 826 800	225 294 200	221 256 346	98,21%
Other Gains	26 281 900	4 380 317	4 380 317	100,00%
Gains - Water Inventory	508 218 500	84 703 083	111 619 997	
<b>TOTAL OPERATING REVENUE</b>	<b>4 931 450 700</b>	<b>1 004 543 483</b>	<b>1 072 577 511</b>	<b>107%</b>

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

### 3.7 Surplus and Deficit by Function

FUNCTION	ADOPTED BUDGET 2023/24			ACTUAL AS AT 31 AUGUST 2023		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	934 500	39 252 700	(38 318 200)	145 608	12 494 568	(12 348 961)
Finance and Administration	1 035 106 400	217 576 000	817 530 400	267 925 047	(1 134 304)	269 059 351
Community and Social Services	19 041 000	152 465 000	(133 424 000)	541 258	21 250 253	(20 708 995)
Sport and Recreation	5 451 000	225 553 000	(220 102 000)	6 035 970	33 443 865	(27 407 894)
Public Safety	15 783 000	204 739 600	(188 956 600)	613 963	31 857 270	(31 243 306)
Housing	6 476 200	29 963 700	(23 487 500)	4 608 320	35 083 212	(30 474 892)
Enviromental Protection	88 600	8 546 400	(8 457 800)	12 571	1 109 459	(1 096 888)
Health	27 500	5 785 500	(5 758 000)	4 583	834 876	(830 293)
Planning and Development	14 529 300	105 936 200	(91 406 900)	829 256	13 565 516	(12 736 259)
Internal Audit	74 100	68 300	5 800	12 376	(1 253 865)	1 266 241
Road Transport	12 699 500	291 821 500	(279 122 000)	3 528 896	45 966 184	(42 437 287)
Air Transport and other	9 622 200	25 235 500	(15 613 300)	1 961 511	3 220 168	(1 258 657)
Energy sources	2 204 429 900	1 931 199 000	273 230 900	426 312 795	377 835 741	48 477 054
Water management	1 156 968 900	1 158 368 500	(1 399 600)	121 463 573	144 818 388	(23 354 815)
Waste water management	232 580 000	332 291 300	(99 711 300)	66 311 720	51 707 481	14 604 239
Waste management	217 638 600	208 221 400	9 417 200	60 650 065	26 978 098	33 671 967
<b>Total</b>	<b>4 931 450 700</b>	<b>4 937 023 600</b>	<b>(5 572 900)</b>	<b>960 957 514</b>	<b>797 776 908</b>	<b>163 180 605</b>

The table above sets out the surplus and deficit for each function. It is important to note that although the trading services namely Energy Sources, Water Management, Waste Water Management and Waste Management are expected to be profitable **only Energy Sources (electricity), Waste Water Management and Waste Management are yielding surpluses on the actuals. Water Management and Waste Water Management are budgeted for a deficit which means that although Waste Water Management is making a profit at the moment due to annual increase for rates payers, it will even out as the year progresses.**

### 3.8 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	Total
	R		R
Bulk Electricity	177 978 004	-	177 978 004
Bulk Water	-	-	-
PAYE deductions	-	-	-
Pensions / Retirement deductions	13 762 971	-	13 762 971
Trade Creditors	20 354 227	-	20 354 227
Other	-	3 480	3 480
<b>Total By Customer Type</b>	<b>212 095 203</b>	<b>3 480</b>	<b>212 098 683</b>

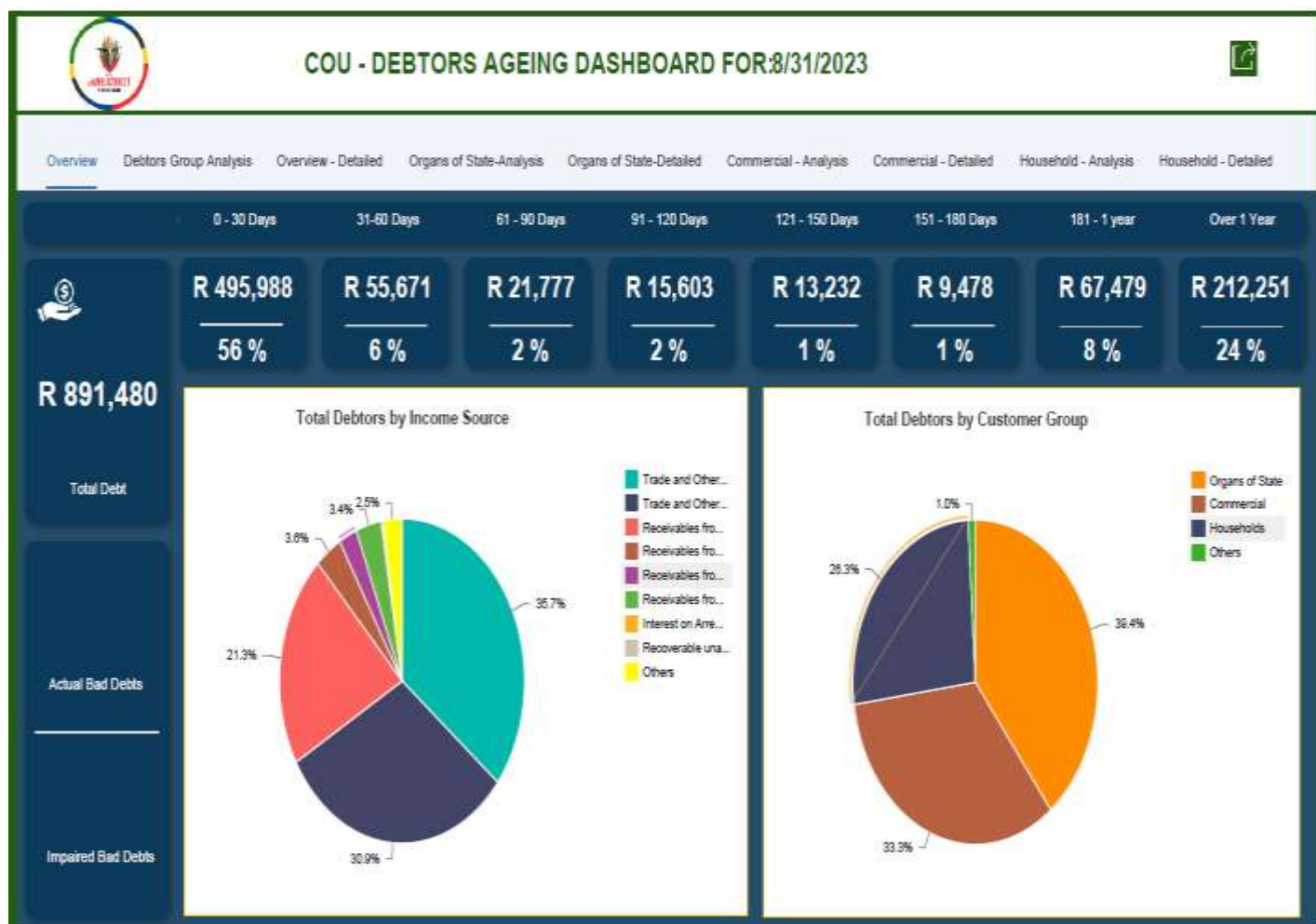


The above table represents the ageing of creditors outstanding as at 31 August 2023. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of August 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.

### 3.9 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	247 283 265	39 100 035	6 197 008	59 107 639	351 687 947
Business	199 878 785	8 138 710	9 344 021	79 769 784	297 131 300
Households	48 299 149	6 977 055	6 148 386	172 765 169	234 189 759
Other	527 055	1 455 621	87 684	6 400 245	8 470 605
<b>Total</b>	<b>495 988 253</b>	<b>55 671 420</b>	<b>21 777 099</b>	<b>318 042 837</b>	<b>891 479 610</b>
<b>%</b>	<b>55,64%</b>	<b>6,24%</b>	<b>2,44%</b>	<b>35,68%</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%		88%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance Aug 2023	1 248 397 304	
			Gross Debtors opening balance Sept 2022	1 079 473 064	
			Bad debts written Off July 2022 to August 2023	218 125 700	
			Billed Revenue Sept 2022 - Aug 2023	3 317 813 540	

### ➤ **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		82 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance Aug 2023	891 070 284	
			Bad debts Provision 2023 / 2024	142 600 000	
			Billed Revenue Sept 2022 - Aug 2023	3 317 813 540	

➤ **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
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 590	22 377 590
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 753	21 328 753
1610626	PRIVATE BUSINESS	-	-	-	-	6 106 823	6 106 823
416383	PRIVATE BUSINESS	81 048	156 936	-	151 776	5 668 809	6 058 569
2289941	PRIVATE BUSINESS	-	-	285	731	5 045 121	5 046 137
2328365	STATE OWNED ENTITIES	-	900 600	-	-	4 615 650	5 516 250
2273109	STATE HOUSEHOLD PROV	2 645	-	9 534	-	3 890 064	3 902 244
30000543	SUNDRIES AND OTHER	275 741	533 925	-	516 368	3 298 858	4 624 892
2369555	STATE BUSINESS PROV	404 532	185 067	186 957	186 957	2 725 029	3 688 542
2328855	STATE OWNED ENTITIES	-	506 706	-	-	2 700 837	3 207 543
		<b>763 966</b>	<b>2 283 235</b>	<b>196 776</b>	<b>855 832</b>	<b>77 757 534</b>	<b>81 857 343</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	18 993 487,82	44 026	706	5 277	487 264	19 530 761
Dept of Agriculture and Rural Development & land Reform	516 706,23	0	7	0	284 779	801 492
Department of Water Affairs and Sanitation	-	0	0	0	-1 292 688	-1 292 688
	<b>19 510 194</b>	<b>44 026</b>	<b>713</b>	<b>5 277</b>	<b>-520 645</b>	<b>19 039 565</b>
Provincial Departments		31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	22 334 872	6 282 852	11 118	26 122	<b>1 983 251</b>	30 638 215
Education	1 701 830	360 412	339 179	262 375	<b>3 785 984</b>	6 449 780
Tvet Colleges	1 624 876	17 796 283	592 874	248 504	<b>2 105</b>	20 264 642
Human Settlement	717 474	26 856	11 196	5 214	<b>632 496</b>	1 393 235
Department of Transport	70 675	3 215	2 667	2 667	<b>42 747</b>	121 971
Department of Health	4 340 413	-88 160	12 020	-52 597	<b>3 921 316</b>	8 132 992
Department of Social Welfare	189 988	41 541	0	0	<b>0</b>	231 529
	<b>30 980 128</b>	<b>24 422 999</b>	<b>969 054</b>	<b>492 285</b>	<b>10 367 899</b>	<b>67 232 364</b>
Other Organs of State		31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	11 175 089	95 808	97 053	50 038	<b>-1 375 213</b>	10 042 775
ESKOM	333 039	2 345	2 733	-80 646	<b>83 323</b>	340 794
Ingonyama Trust Board	1 471 118	1 969 555	365 236	365 236	<b>16 704 338</b>	20 875 483
Telkom	882 048	908	1 394	1 601	<b>8 731</b>	894 684
Foskor	52 650 093	-	-	-	-	52 650 093
SA Post Office	44 512	25 637	22 650	28 854	<b>81 823</b>	203 477
Richards Bay IDZ	4 492 342	0	0	0	<b>0</b>	4 492 342
Mhlathuze Water Board	7 625 942	0	0	0	<b>21 328 753</b>	28 954 695
King Cetshwayo District Municipality	39 447 437	12 428 088	4 626 199	3 138 371	<b>2 674 830</b>	62 314 925
	<b>118 121 620</b>	<b>14 522 341</b>	<b>5 115 266</b>	<b>3 503 455</b>	<b>39 506 585</b>	<b>180 769 267</b>

## **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.

### **3.10 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 R429 761,54 as per **Annexure AD - DMS 1624343**.

Councillors' debt amounts to R28 527,91 as per **Annexure AC - DMS 1624343**.

### **3.11 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 1624343**.



#### 4. **IN-YEAR BUDGET STATEMENT TABLES**

The following monthly budget statement tables (**DMS 1624342**) 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 1624342**) for the month ended 31 August 2023.

### 6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) (**DMS 1624342**) for the month ended 31 August 2023.

### 7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) (**DMS 1624342**) for the month ended 31 August 2023.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) (**DMS 1624342**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) (**DMS 1624342**) for the month ended 31 August 2023.

### 9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) (**DMS 1624342**) for the month ended 31 August 2023.

### 10. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**) (**DMS 1624342**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**) (**DMS 1624342**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**) (**DMS 1624342**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**) (**DMS 1624342**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**) (**DMS 1624342**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**) (**DMS 1624342**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**) (**DMS 1624342**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**) (**DMS 1624342**).

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

Refer to **DMS 1624865** (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 August 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 1624342**), be noted.