

16667

FINANCIAL REPORT AS AT 30 SEPTEMBER 2023

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

PURPOSE

1. To submit to Council the financial position of the uMhlathuze Municipality for the quarter ended 30 September 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).

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 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 1609279**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1609279**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AJ - DMS 1609279**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AK and AL - DMS 1609279**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AM - DMS 1609279**).

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
3.10	Executive Summary - Ratios
4.	Exception Reporting - Operating Expenses for Entire Municipality
4.1	Losses to Council Property
4.2	Proceeds on Land Sales
4.3	Cost Containment Policy
4.4	Operating Over-expenditure
5.	In-year budget statement tables
PART 2 - SUPPORTING DOCUMENTATION	
6.	Supply Chain Management Policy
PART 3 - SUPPORTING DOCUMENTATION	
7.	Debtors' Analysis
8.	Creditors' Analysis
9.	Investment portfolio analysis
10.	Allocation and grant receipts and expenditure
11.	Councillor allowances and employee benefits
12.	Material variances to the Service Delivery and Budget Implementation Plan (SDBIP Component 5 Summary)
13.	Capital programme performance
14.	Municipal Manager's quality certification
PART 4 - OTHER LEGISLATIVE REQUIREMENTS	
15.	Withdrawals

PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF SEPTEMBER 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 September 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 September 2023 (year to date actual) shows a surplus of R165,6 million. The performance in this area is **Acceptable**.

Capital Budget

Council is in the first quarter of the financial year and capital expenditure is at R193,9 million (24,15%). This is based on the Adopted Budget of R802,9 million. 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 1.03:1 (351 498/340 197). 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 executive level and highlights matters that are of particular importance from the Chief Financial Officer's perspective.

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

DESCRIPTION	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL SEPTEMBER 2023 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	4 931 450 700	1 338 260 000	1 479 473 469	110,55%
Expenditure	4 937 023 600	1 328 368 200	1 313 912 960	98,91%
Operating Surplus/(Deficit)	(5 572 900)	9 891 800	165 560 509	

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: SEPTEMBER, 2023



Operating Revenue (R '000)

4,931,451	Original Budget
0	Adjusted Budget
406,897	Monthly Actual
1,479,474	YTD Actual
1,344,700	YTD Budget
4,931,451	System Budget

Operating Expenditure (R '000)

4,937,024	Original Budget
0	Adjusted Budget
404,516	Monthly Actual
1,313,913	YTD Actual
1,254,443	YTD Budget
4,937,024	System Budget

Capital Transfers & Subsidies (R '000)

218,836	Original Budget
0	Adjusted Budget
71,801	Monthly Actual
71,801	YTD Actual
83,674	YTD Budget
218,836	System Budget

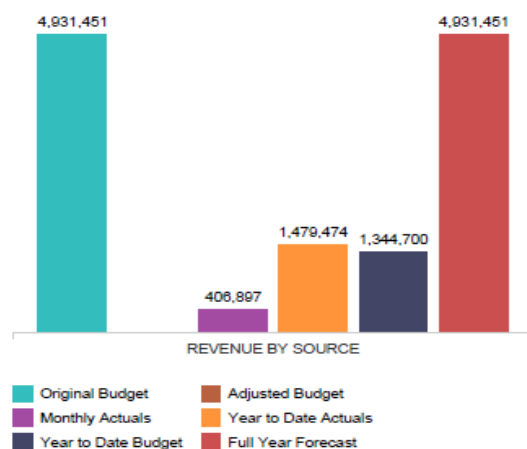
Surplus/(Deficit) for the year excluding Transfers & Subsidies (R '000)

-5,573	Original Budget
0	Adjusted Budget
2,381	Monthly Actual
165,561	YTD Actual
90,257	YTD Budget
-5,573	System Budget

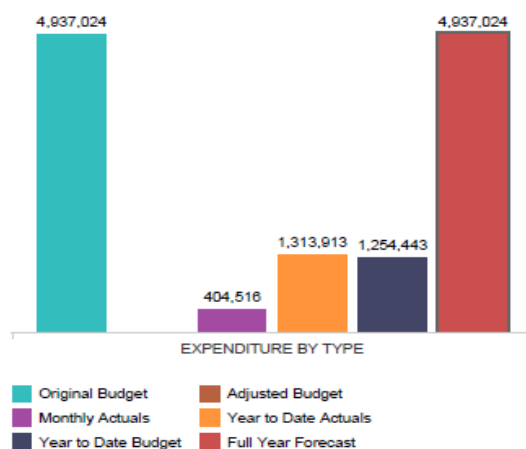
Overview Revenue & Expenditure Analysis

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

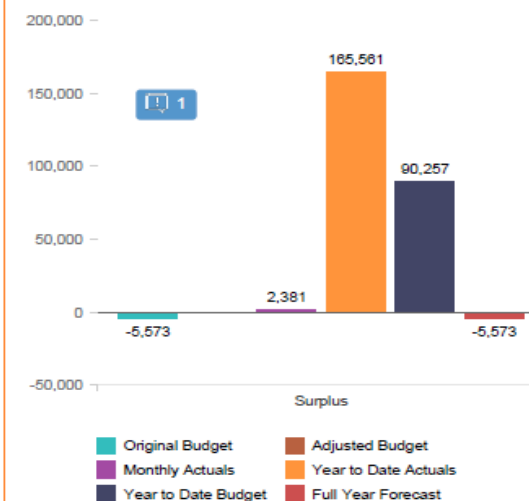
Operating Revenue (R '000)



Operating Expenditure (R '000)



Surplus (R '000)



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 1.03:1 (351 498/340 196).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 30/09/2023	ACTUAL EXPENDITURE AS AT 30/09/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	520 860 000	217 025 000	130 215 000	60%	25%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services.
Intergrated Urban Development Grant-IUDG	153 196 000	62 000 000	42 189 362	68%	28%	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	405 936	16%	16%	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	13 845 327	63%	25%	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	825 311	107%	27%	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 existing and planned residential dwellings and to install and relevant bulk infrastructure.
Energy Efficiency and Demand Management	5 000 000	2 000 000	336 770	17%	7%	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.
TOTAL NATIONAL TREASURY GRANTS	753 645 000	310 297 000	187 817 706	61%	25%	

NOTES:

OFFICIAL FINAL VERSION

RPT 176797
Page 7 of 34

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 30/09/2023	ACTUAL EXPENDITURE AS AT 30/09/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	9 593 000	-	9 308 090	0%	97%	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	-	699 498	0%	34%	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	5 488 270	130%	124%	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	-	1 010 441	0%	406%	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.
TOTAL PROVINCIAL TREASURY GRANTS	16 304 000	4 231 346	16 506 298	0%	101%	
				-		
TOTAL GRANTS AND SUBSIDIES	769 949 000	314 528 346	204 324 003	65%	27%	

3.4 Capital Budget Summary

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

FUNCTION	ADOPTED BUDGET 2023/2024	ACTUAL SEPTEMBER 2023 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Finance and Administration	68 672 500	14 850 191	21,62%
Community and Social Services	71 073 500	2 301 259	3,24%
Energy Sources	125 935 000	898	0,00%
Executive and Council	118 000	-	0,00%
Environmental Protection	1 248 000	138 270	11,08%
Air Transport - Air port	5 444 000	441 958	8,12%
Planning and Development	22 127 000	1 506 066	6,81%
Public Safety	1 785 000	10 813	0,61%
Road Transport	131 940 000	12 728 772	9,65%
Sport and Recreation	34 619 900	16 537 777	47,77%
Waste Management	12 230 000	1 936 068	15,83%
Waste Water Management	125 265 800	25 283 548	20,18%
Water Management	202 482 400	118 165 404	58,36%
	802 941 100	193 901 024	24,15%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADOPTED BUDGET 2023/2024	ACTUAL SEPTEMBER 2023 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Borrowing	406 569 000	91 618 587	22,53%
Capital Replacement Reserve	177 535 900	41 371 543	23,30%
Integrated Urban Development Grant	145 536 200	45 477 157	31,25%
Government Grants - National	73 300 000	15 433 737	21,06%
Insurance	-	-	0,00%
TOTAL	802 941 100	193 901 024	24,15%



COU - CAPEX DASHBOARD AS AT: SEP 2023



Original Budget (R '000)

802,941

Adjusted Budget (R '000)

0

Monthly Actual (R '000)

85,607

YTD Actual (R '000)

193,901

YTD Budget (R '000)

125,436

YTD Variance (R '000)

68,465

Overview

C5C CAPEX-MAIN

SC13A-NEW

SC13B-RENEW

SC13E-UPGRADE

C5C CAPEX-MAIN-Detail

SC13A-NEW-Detail

SC13B-RENEW-Detail

SC13E-UPGRADE-Detail

ALL VOTES



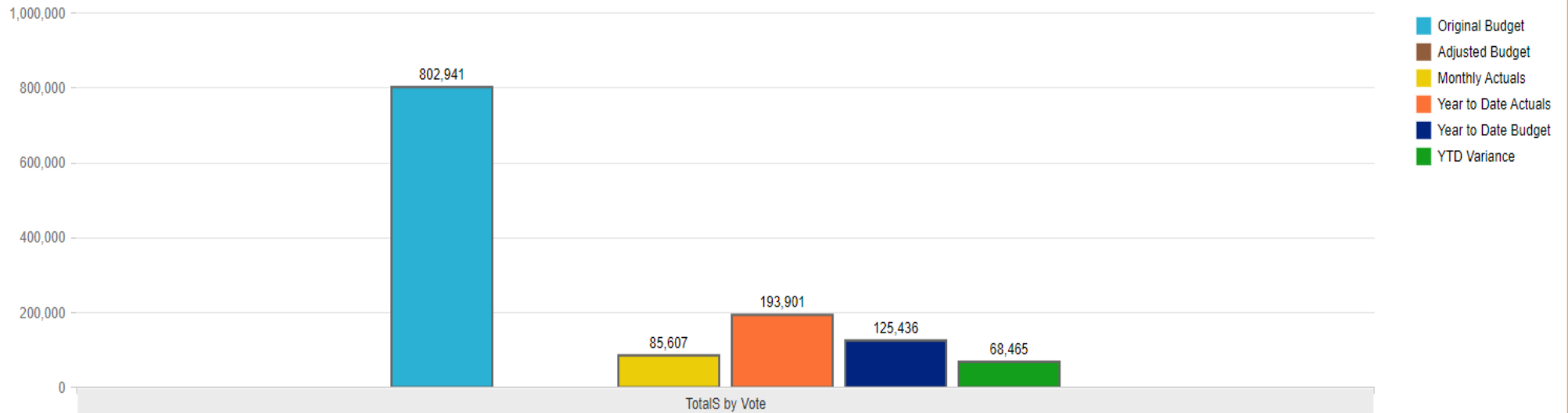
Total by Vote

Functional Classification

Funded By

ALL VOTES

Total Capex (R '000)



NOTES:

OFFICIAL FINAL VERSION

RPT 176797
Page 10 of 34

3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL SEPTEMBER 2023 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 212 559 100	292 997 800	284 540 893	97,11%
Remuneration of Councillors	35 509 700	8 877 900	7 291 793	82,13%
Bulk Purchases - Electricity	1 492 128 200	447 884 000	408 692 166	91,25%
Inventory consumed - Water	306 540 400	107 560 000	116 123 800	107,96%
Inventory consumed - Materials	154 438 600	43 019 400	38 865 364	90,34%
Debt Impairment	173 882 500	43 019 400	41 401 143	96,24%
Depreciation and asset impairment	320 159 500	76 248 000	77 892 825	102,16%
Finance Charges	130 490 500	32 622 600	34 340 391	105,27%
Contracted Services	409 217 200	102 304 300	127 255 338	124,39%
Transfers and Subsidies	14 758 700	2 000 000	1 781 980	89,10%
Irrecoverable debts written off	-	-	9 488 972	0,00%
Operational costs	343 729 600	85 932 400	82 276 528	95,75%
Losses - Water Inventory (note 1)	343 609 600	85 902 400	83 961 768	97,74%
TOTAL	4 937 023 600	1 328 368 200	1 313 912 960	98,91%

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

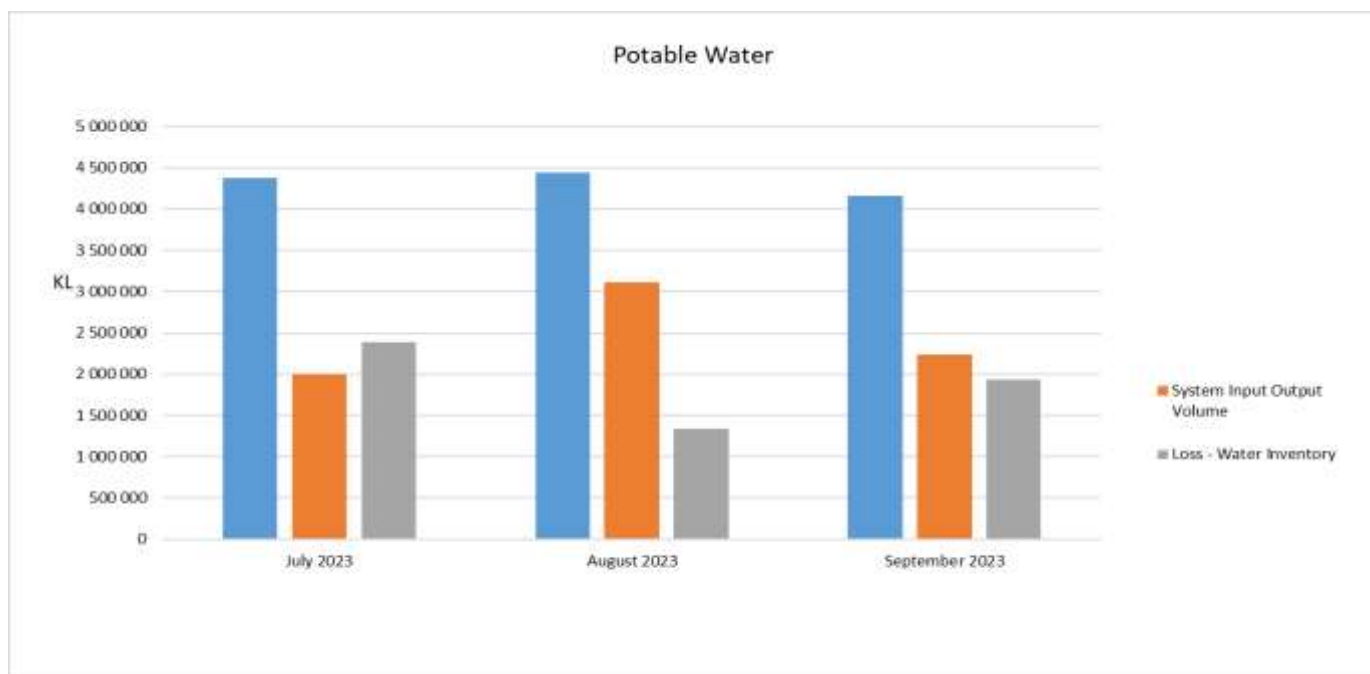
Note 1 and 2 above:

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	Original Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R
Output						
Inventory consumed - Water Billed (Authorised)	300 038 800	282 415 300	17 623 500	114 974 059	108 665 439	6 308 620
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	1 149 741	1 086 654	63 086
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	116 123 800	109 752 093	6 371 707
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	83 961 768	83 601 553	360 215
Total Water Inventory (Consumed plus losses)	650 150 000	630 485 700	19 664 300	200 085 567	193 353 646	6 731 922

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
Output						
Inventory consumed - Water Billed (Authorised)	28 981 398	24 231 398	4 750 000	8 311 329	7 267 184	1 044 145
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	83 075	72 672	10 403
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	8 394 405	7 339 856	1 054 548
Loss - Water Inventory	29 820 657	29 323 657	497 000	5 709 566	5 648 379	61 186
% Loss - Water Inventory	50,2%	54,2%	9,4%	40,5%	43,5%	5,5%
Total Water Inventory (Consumed plus losses)	59 396 015	54 096 015	5 300 000	14 103 970	12 988 236	1 115 735

Potable Water Inventory - in Units (kl)			
Water Inventory	July 2023	August 2023	September 2023
System Input Volume	4 380 459	4 445 271	4 162 506
System Output Volume	1 997 129	3 110 282	2 232 445
Loss - Water Inventory	2 383 330	1 334 989	1 930 061



Gross Losses of Potable Water per Zone

GROSS ZONE LOSS	POTABLE WATER ACTUAL JULY 2023	POTABLE WATER ACTUAL AUGUST 2023	POTABLE WATER ACTUAL SEPTEMBER 2023
	KL	KL	KL
Richards Bay	992 762	515 713	1 119 159
Empangeni	741 619	93 099	267 664
Esikhaleni	668 722	756 971	565 341
TOTAL	2 403 103	1 365 784	1 952 164

3.6 Revenue by Source

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 SEPTEMBER 2023 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 150 331 000	515 350 400	599 679 056	116,36%
Service Charges – Water revenue	588 970 400	157 500 000	156 932 064	99,64%
Service charges - Waste Water Management	119 676 200	30 100 000	30 376 080	100,92%
Service charges - Waste management	114 791 500	29 400 000	29 298 374	99,65%
Sale of Goods and Rendering of Services	12 365 800	3 091 450	31 989 260	1034,77%
Agency services	6 364 800	1 591 200	1 620 038	101,81%
Interest earned from Receivables	29 400	7 350	-	0,00%
Interest from Current and Non Current Assets	64 500 000	16 125 000	2 708 504	16,80%
Rent on Land	849 900	212 475	491 930	231,52%
Rental from Fixed Assets	16 073 500	4 018 375	2 750 175	68,44%
Operational Revenue	8 624 600	2 156 150	1 765 351	81,88%
Non-Exchange Revenue				
Property rates	736 829 200	211 777 400	230 722 242	108,95%
Surcharges and Taxes	6 332 000	758 000	745 095	98,30%
Fines, penalties and forfeits	15 753 500	1 748 500	504 373	28,85%
Licence and permits	3 631 700	2 327 400	557 345	0,00%
Transfers and subsidies - Operational	551 826 800	228 471 200	230 359 994	100,83%
Other Gains	26 281 900	6 570 475	6 570 475	100,00%
Gains - Water Inventory	508 218 500	127 054 625	151 841 461	119,51%
TOTAL OPERATING REVENUE	4 931 450 700	1 338 260 000	1 479 473 469	110,55%

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

3.7 Creditors Report

Creditors Age Analysis by Category

Creditors Age Analysis By Customer Type	0 - 30 Days
	R
Bulk Electricity	108 262 422
PAYE deductions	16 158 455
Pensions / Retirement deductions	13 773 843
Trade Creditors	20 750 602
Other	343
Total By Customer Type	158 945 665



The above table represents the ageing of creditors outstanding as at 30 September 2023. As per the National Treasury Circular 71 uniform rations the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of September 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:

Nil

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	170 774 152	116 664 742	14 827 607	55 570 973	357 837 473
Business	118 133 124	102 036 713	5 374 751	82 262 068	307 806 657
Households	43 934 827	14 600 920	6 873 157	175 995 023	241 403 926
Other	339 400	200 960	1 387 071	6 331 652	8 259 082
Total	333 181 502	233 503 335	28 462 586	320 159 715	915 307 139
%	36,40%	25,51%	3,11%	34,98%	

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.



➤ **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
$(\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue} \times 365$	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		80 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance Sept 2023	914 887 887	
			Bad debts Provision 2023 / 2024	142 600 000	
			Billed Revenue Oct 2022 - Sept 2023	3 542 795 480	

➤ **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	Private Business	-	-	-	-	22 377 590	22 377 590
531788	State Ow ned Enterprise	40	-	-	-	21 328 753	21 328 793
1610626	Private Business	-	-	-	-	6 106 823	6 106 823
416383	Private Business	-	81 048	156 936	-	5 820 585	6 058 569
2289941	Private Business	-	-	-	285	5 045 852	5 046 137
2328365	State Ow ned Enterprise	-	-	900 600	-	4 615 650	5 516 250
2273109	State	2 645	-	-	9 534	3 890 064	3 902 244
30000543	Private Business	-	275 741	533 925	-	3 815 226	4 624 892
2369555	State Ow ned Enterprise	404 532	201 197	185 067	186 957	2 911 986	3 889 739
2328855	State Ow ned Enterprise	-	-	506 706	-	2 700 837	3 207 543
		407 217	557 986	2 283 235	196 776	78 613 366	82 058 580

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	23 356 164	7 413 652	44 001	1 610	468 870	31 284 298
Dept of Agriculture and Rural Development & land Reform	429 667	426 437	-	7	538 372	1 394 482
Department of Water Affairs and Sanitation	-	-	-	-	-1 129 737	-1 129 737
	23 785 831	7 840 089	44 001	1 617	-122 495	31 549 043
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	123 659	22 267 926	6 282 852	11 118	1 999 408	30 684 963
Education	2 017 938	250 657	346 771	340 485	5 475 801	8 431 652
Tvet Colleges	5 390 905	541 432	2 492 442	276 123	1 984	8 702 886
Human Settlement	101 898	355 361	4 974	3 608	632 093	1 097 934
Department of Transport	85 755	3 557	2 559	2 667	45 414	139 952
Department of Health	6 898 049	23	-86 145	8 279	3 685 996	10 506 202
Department of Social Welfare	154 925	-	-	-	-	154 925
	14 773 130	23 418 956	9 043 452	642 280	11 840 696	59 718 514
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	9 612 049	987 884	93 615	97 747	-1 317 044	9 474 252
ESKOM	157 002	2 635	2 258	2 733	23 758	188 386
Ingonyama Trust Board	853 369	1 042 449	1 969 555	365 236	17 069 574	21 300 183
Telkom	907 940	849	908	1 394	10 333	921 426
Foskor	64 056 471	1 813 905	-	-	-	65 870 376
SA Post Office	43 655	22 699	25 637	22 650	111 837	226 479
Richards Bay IDZ	4 576 454	-	-	-	-	4 576 454
Mhlathuze Water Board	7 406 522	-	-	-	21 328 753	28 735 274
King Cetshwayo District Municipality	45 155 099	2 611 928	3 501 088	1 486 839	25 426	52 780 380
	132 768 562	6 482 349	5 593 062	1 976 600	37 252 637	184 073 210

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.

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 R370 624.08 as per **Annexure AO - DMS 1609279**.

Councillors' debt amounts to R28 527.91 as per **Annexure AN - DMS 1609279**.

3.10 MFMA Circular number 71 Uniform Financial Ratios

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

This template is included as **Annexure AF on DMS 1609279**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES FOR ENTIRE MUNICIPALITY

4.1 LOSSES TO COUNCIL'S PROPERTY

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

DAMAGES TO COUNCIL VEHICLES									
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
11/07/2023	222023/15	Vehicle Damage	V1352 - Driven by B Zulu was damaged when he misjudged a pole and the vehicle slipped on the wet grass	V1352 - NRB 89172	906	I&TS - Road Marking	-	-	-
13/07/2023	222023/6	Rim Damage	V2030 - Driven by Sifiso Maphumulo was involved in a pothole collision and the rim and tyres were damaged	V2030 - NRB 39318		Comms - Safety & Security	-	-	-
14/07/2023	222023/5	Vehicle Damage	V1471 - Driven by Sandile Mthimkhulu was damaged in a head on collision with TP NRB 53718	V1471 - NRB 94183	911	I&TS - Water & Sanit	-	-	-
16/07/2023	222023/1	Vehicle Damage	V1347 - Driven by B Mhlongo was damaged during a TP Collision with NRB 18327	V1347 - NRB 89173	908	I&TS - Water & Sanit	-	-	-
23/07/2023	222023/4	Vehicle Damage	V1376 - Driven by MB Manqele was damaged when he hit into a cow that suddenly came onto the road	V1367 - NRB 89166	912	I&TS - Water & Sanit	-	-	-
23/07/2023	222023/11	Vehicle Damage	V2000 - Driven by Justice Mthembu was damaged as he was driving on the N2 - he heard an explosion and stopped	V2000 - NRB 27463		Comms - Safety & Security	-	-	-
26/07/2023	222023/3	Vehicle Damage	V2046 - Driven by ST Mthimkhulu was damaged on the left hand side whilst he was exiting the depot	V2046 - JTS951L	914	I&TS - Roads & S/W	-	-	-
29/07/2023	222023/7	Vehicle Damage	V1498 - Driven by Ntombi Chamane was involved in a collision with TP KXP NW	V1498 - NRB 35398	918	Comms - Traffic	-	-	-
27/07/2023	222023/8	Vehicle Damage	V2015 - Driven by Mpiyakhea Ndlovu, noticed the mud guard was damaged when he returned to the parked vehicle	V2015 - NRB 17619		I&TS - Water & Sanit	-	-	-
04/08/2023	222023/14	Vehicle Damage	V1371 - Driven by P Madlala was involved in a TP collision with NRB 73861	V1371 - NRB 89193	923	I&TS - Road Marking	-	-	-
08/08/2023	222023/9	Vehicle Damage	V2049 - Operated by Mziwezpho Mndaba, the hydraulic pipe was damaged when the crane boom bumped the pipe	V2049 - NUF 55525	924	I&TS - Roads & S/W	-	30 489,36	30 489,36
08/08/2023	222023/10	Vehicle Damage	V1343 - Driven by Justice Mthembu was damaged when a tp driving NJ 105 - 556 collided into the rear of V1343	V1343 - NRB 65258		Comms - Safety & Security	-	-	-
14/08/2023	222023/25	Vehicle Damage	V0433 - Driven by B Mjadu was damaged when the driver misjudged the height of a tree branch and hit against it	V433 - NRB 41256	935	Comms - Solid Waste	-	-	-
25/08/2023	222023/17	Vehicle Damage	V0328 - Driven by Philani Loshazi was damaged when the tanker got stuck in the mud and a rock hit the radiator	V0328 - NRB 57846	944	I&TS - Water & Sanit	-	-	-
28/08/2023	222023/16	Vehicle Damage	V1392 - Driven by NVMagwaza was damaged when a TP driving NUF 34305 collided with the rear of V1392	V1392 - NRB 89109	943	I&TS - Roads & S/W	-	-	-
30/08/2023	222023/13	Vehicle Damage	V1496 - Driven by P Mchunu - the side glass was damaged when the vehicle was parked off	V1496 - NRB 42456	946	Comms - Traffic	-	3 184,06	3 184,06
							-	33 673,42	33 673,42

NOTES:

OFFICIAL FINAL VERSION

RPT 176797
Page 20 of 34

PUBLIC LIABILITY CLAIMS											
DATE	AIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	3rd PARTY	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
04/09/2023	222023/12	Public Liability	Kalaiveni Pillay is claiming for damages to her property allegedly caused by a sewerage spill		Kalaiveni Pillay - 55 Extensa Angle - 074 089 0846	Richards Bay	951	I&TS - Water & Sanit	-	-	-
23/08/2023	222023/18	Public Liability	Chad Young - is claiming for damages to his property allegedly caused by a burst water pipe		Chad Young - 078 296 1367 - 37 Cambridge Place	Arboretum	945	I&TS - Water & Sanit	-	-	-
27/09/2023	222023/19	Public Liability	V1428 - Driven by Paulos Mkhwanazi - was involved in a TP collision with 4 KAM 5 when he reversed into the vehicle	V1428 - NRB 59858	Bongumusa Dlamini - 4 KAM 5 - 0633605016	Richards Bay	970	Comms - Solid Waste	-	-	-
14/09/2023	222023/20	Public Liability	V0419 - Driven by Boxer Ngema - rolled whilst on an incline and collided with the boundary wall of a rental property	V0419 - NRB 29099		Ngwelezane	967	Comms - Solid Waste	-	-	-
21/09/2023	222023/22	Public Liability	V0419 - Driven by Boxer Ngema - collided with TP NUF 64755 when the truck rolled on an incline due to brake issues	V0419 - NRB 29099	Dlomo - 084 035 6035 - NUF 64755	Empangeni	962	Comms - Solid Waste	-	-	-
10/08/2023	222023/23	Public Liability	Stanley Chetty is claiming for damages to his vehicle - NRB 38827 - allegedly caused by a pothole		Stanley Chetty - NRB 38827 - 0844347515	Richards Bay		I&TS - Roads & S/W	-	-	-
14/07/2023	222023/27	Public Liability	Van Breda is claiming on behalf of Vanessen Naicker for damages to his vehicle allegedly caused by a pothole		Vanessen Naicker	Richards Bay		I&TS - Roads & S/W	20 000	77 477	20 000
24/08/2023	222023/28	Public Liability	Dumisani Sithole is claimign for damages to his vehicle - HT 80 JV GP - allegedly caused by grass cutting operations		Dumisani Sithole - HT 80 JV GP - 072 111 9118	Empangeni	940	Comms - Parks	25 000	3 220	3 220
									45 000	80 697	23 220

THEFT CLAIMS										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
07/07/2023	222023/2	Theft	V2046 - Driven by ST Mthimkhulu noticed that the fuel cap for the vehicle was stolen	V2046 - JTS951L	Esikhaleni	913	I&TS - Roads & S/W	-	-	-
18/09/2023	222023/21	Theft	13 Brush cutters were stolen from the Southern Depot in Esikhaleni		Esikhaleni	965	Comms - Parks	-	-	-
12/09/2023	222023/26	Theft	The Aquadene Library was broken into and assets were stolen		Richards Bay		Corporate Services - Library	-	-	-
								-	-	-

GLASS REPLACEMENT CLAIMS										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
21/09/2023	222023/24	Glass Replacement	V0322 - The glass of the quantum was shattered whilst parked on the R34	V0322 - NRB 41756	John Ross	968	Comms - Traffic	-	4 111	4 111
								-	4 111	4 111

NOTES:

OFFICIAL FINAL VERSION

RPT 176797
Page 21 of 34

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 has been an increase in motor vehicle accidents, this category as well lacks thorough investigations and consequence management.
- Delayed reporting of incidents and lack of co-operation from Departments remain a challenge in finalising claims and attract unnecessary legal action.
- Vehicle inspection check sheets must be re-introduced as it has been very effective previously

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:

Nil

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 SEPTEMBER 2023				
COST CONTAINMENT MEASURES	ADOPTED BUDGET 2023/24	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL SEPTEMBER 2023 (YTD)	SURPLUS/ (DEFICIT)
Advertisement & Marketing	4 185 100	1 046 275	466 450	579 825
Sponsorship Events and Catering Services	3 256 000	814 000	1 497 362	(683 362)
Conference, meetings and study tours	949 500	237 375	86 072	151 303
Communications:SMS Bulk Message Service	3 116 200	779 050	944 662	(165 612)
Credit card	240 000	60 000	29 281	30 719
Consultants Services	131 292 000	32 823 000	27 598 606	5 224 394
Travel and subsistence allowance (incl accommodation)	3 024 900	756 225	1 053 208	(296 983)
Vehicle hire for Public office bearers	166 200	41 550	20 800	20 750
TOTAL	146 229 900	36 557 475	31 696 442	4 861 033

Cost containment table shows a surplus or savings of R4,8 million for the quarter ended 30 September 2023. It should be noted that some commitment items are recording a deficit based pro-rata budget. Departments needs to closely monitor spending on these commitment items. It also be noted that other departments have done virements which will be approved by Council in the Adjusted Budget.

4.4 OVER-EXPENDITURE

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

OVER EXPENDITURE NUMBER	DATE RECEIVED	FUNCTION	FUNCTION DESCRIPTION	PROJECT NUMBER	GL CODE	GL DESCRIPTION	REASON	AMOUNT
1000003512	21/08/2023	CO	Roads- Rural Roads	M/CO29A1,031	4500008010	Hire Charges:Machinery and Equipment	Request for funds while rollover application is in process for Municipal Disaster Recovery Grant.	1 000 000
1000003512	21/08/2023	CO	Roads- Rural Roads	M/CO29A1,031	4500008020	Hire Charges:Machinery and Equipment	Request for funds while rollover application is in process for Municipal Disaster Recovery Grant.	1 000 000
1000003512	21/08/2023	CO	Roads- Rural Roads	M/CO29A1,031	4500008030	Hire Charges:Machinery and Equipment	Request for funds while rollover application is in process for Municipal Disaster Recovery Grant.	1 000 000
1000003512	21/08/2023	CO	Roads- Rural Roads	M/CO29A1,031	4500008040	Hire Charges:Machinery and Equipment	Request for funds while rollover application is in process for Municipal Disaster Recovery Grant.	1 000 000
1000003512	21/08/2023	CO	Roads- Rural Roads	M/CO29A1,032	4450000300	Materials and Supplies	Request for funds while rollover application is in process for Municipal Disaster Recovery Grant.	6 739 805
1000003512	21/08/2023	DJ	Storm water Management	M/DJ29A1,028	4400003900	Maintenance of Unspecified Assets	Request for funds while rollover application is in process for Municipal Disaster Recovery Grant.	3 000 000
1000003557	30/08/2023	BT	Housing	W/BT 26A1,001	4500000300	Corporate and Municipal Activities	To implement the Title Deed Restoration Programme.	200 000
								13 939 805

Over-expenditure emanates from Disaster Recovery Grant that was allocated to City to respond to disasters that devastated the City of uMhlathuze in 2022. These funds were not all used during 2022/23 financial year which resulted in request for roll-over of funds from National Treasury. While awaiting response an over-expenditure form approved by City Manager was done. This over-expenditure will be approved by Council in the 2023/24 adjusted budget.

FUEL AND OIL

Below are detailed line items for fuel and oil as at 30 September 2023

Function	Function Description	Project	Commitment Item	Commitment Item Description	Original Budget	Pro-rata Budget	Actuals	difference
AA	Cemeteries	D/AA7BA1.001	4450000100	IE:Consumption:Fuel & Oil	38 900	9 725	37 857	(28 132)
AB	Buildings Maintenance	D/AB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	316 400	79 100	34 999	44 101
AC	Halls	D/AC7BA1.001	4450000100	IE:Consumption:Fuel & Oil	319 700	79 925	89 265	(9 340)
AE	Libraries	D/AE7BA1.001	4450000100	IE:Consumption:Fuel & Oil	13 500	3 375	16 063	(12 688)
AG	Museums	D/AG7BA1.001	4450000100	IE:Consumption:Fuel & Oil	21 300	5 325	-	5 325
AI	Elect: Marketing and Customer relations	D/AI3BA1.001	4450000100	IE:Consumption:Fuel & Oil	128 200	32 050	108 488	(76 438)
AL	Electricity: Distribution	D/AL3BA1.001	4450000100	IE:Consumption:Fuel & Oil	2 166 400	541 600	803 297	(261 697)
AP	Street Lighting	D/AP3BA1.001	4450000100	IE:Consumption:Fuel & Oil	293 200	73 300	142 255	(68 955)
AQ	Process Control Systems	D/AQ3BA1.001	4450000100	IE:Consumption:Fuel & Oil	96 900	24 225	3 628	20 597
AS	Mayor and Council	D/AS7BA1.001	4450000100	IE:Consumption:Fuel & Oil	889 800	222 450	230 998	(8 548)
BB	Administrative and Corporate Support	D/BB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	38 200	9 550	13 577	(4 027)
BF	Fleet Management	D/BF7BA1.001	4450000100	IE:Consumption:Fuel & Oil	4 624 900	1 156 225	1 261 010	(104 785)
BH	Management Services	D/BH7BA1.001	4450000100	IE:Consumption:Fuel & Oil	9 500	2 375	9 294	(6 919)
BK	Information Technology	D/BK7BA1.001	4450000100	IE:Consumption:Fuel & Oil	205 700	51 425	14 419	37 006
BQ	Supply Chain Management	D/BQ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	134 300	33 575	5 770	27 805
BS	Finance: Asset Management	D/BS7BA1.001	4450000100	IE:Consumption:Fuel & Oil	6 300	1 575	-	1 575
BT	Housing	D/BT7BA1.001	4450000100	IE:Consumption:Fuel & Oil	49 800	12 450	16 280	(3 830)
BV	Air Transport	D/BV7BA1.001	4450000100	IE:Consumption:Fuel & Oil	5 200	1 300	5 138	(3 838)
BX	Tourism	D/BX7BA1.001	4450000100	IE:Consumption:Fuel & Oil	7 200	1 800	-	1 800
BZ	Corporate Wide Strategic Plan (IDPs, LED	D/BZ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	14 400	3 600	-	3 600
CC	Economic Development/Planning	D/CC7BA1.001	4450000100	IE:Consumption:Fuel & Oil	7 200	1 800	-	1 800
CD	Town Planning, Building Regulations	D/CD7BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 200	300	-	300
CI	Project Management Unit	D/CI7BA1.001	4450000100	IE:Consumption:Fuel & Oil	19 900	4 975	7 531	(2 556)
CK	Fire Fighting and Protection	D/CK7BA1.001	4450000100	IE:Consumption:Fuel & Oil	887 800	221 950	308 535	(86 585)
CN	Roads - Urban Roads	D/CN7BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 070 900	267 725	419 879	(152 154)
CO	Roads - Rural Roads	D/CO7BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 994 500	498 625	537 658	(39 033)
CQ	Police Forces, Traffic & Street Parking	D/CQ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	3 132 000	783 000	776 914	6 086
CR	Road and Traffic Regulation	D/CR7BA1.001	4450000100	IE:Consumption:Fuel & Oil	2 100	525	2 089	(1 564)
CS	Sport and Recreation: Beaches & Jetties	D/CS7BA1.001	4450000100	IE:Consumption:Fuel & Oil	11 300	2 825	7 501	(4 676)
CT	Community Parks (including Nurseries)	D/CT7BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 743 700	435 925	744 871	(308 946)
CY	Recreational Facilities - Swimming Pools	D/CY7BA1.001	4450000100	IE:Consumption:Fuel & Oil	73 100	18 275	23 646	(5 371)
CZ	Sport Development and Sportfields	D/CZ7BA1.001	4450000100	IE:Consumption:Fuel & Oil	95 900	23 975	76 454	(52 479)
DB	Sports Grounds and Stadiums - Stadium	D/DB7BA1.001	4450000100	IE:Consumption:Fuel & Oil	15 600	3 900	15 126	(11 226)
DC	Solid Waste Removal	D/DC4BA1.001	4450000100	IE:Consumption:Fuel & Oil	6 906 200	1 726 550	2 450 050	(723 500)
DE	Street Cleaning	D/DE4BA1.001	4450000100	IE:Consumption:Fuel & Oil	2 000 000	500 000	204 951	295 049
DF	Public Toilets	D/DF5BA1.001	4450000100	IE:Consumption:Fuel & Oil	6 000	1 500	-	1 500
DH	Sewerage Pump Station	D/DH5BA1.001	4450000100	IE:Consumption:Fuel & Oil	322 400	80 600	56 903	23 697
DI	Sewerage - Sewerage Network	D/DI5BA1.001	4450000100	IE:Consumption:Fuel & Oil	402 600	100 650	217 809	(117 159)
DJ	Storm Water Management	D/DJ5BA1.001	4450000100	IE:Consumption:Fuel & Oil	46 200	11 550	46 188	(34 638)
DK	Waste Water Treatment	D/DK5BA1.001	4450000100	IE:Consumption:Fuel & Oil	20 500	5 125	13 139	(8 014)
DL	Water Treatment - Scientific Services	D/DL6BA1.001	4450000100	IE:Consumption:Fuel & Oil	56 900	14 225	56 509	(42 284)
DM	Water Distribution - Rural Water	D/DM6BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 764 400	441 100	1 763 975	(1 322 875)
DN	Water Distribution - Urban Water	D/DN6BA1.001	4450000100	IE:Consumption:Fuel & Oil	1 615 900	403 975	1 253 576	(849 601)
DO	Water Distribution - Water Demand Mngmnt	D/DO6BA1.001	4450000100	IE:Consumption:Fuel & Oil	26 100	6 525	25 737	(19 212)
DQ	Water Distribution - Purification works	D/DQ6BA1.001	4450000100	IE:Consumption:Fuel & Oil	20 500	5 125	30 704	(25 579)
DS	Revenue and Expenditure	D/DS7BA1.001	4450000100	IE:Consumption:Fuel & Oil	358 300	89 575	72 960	16 615
					31 981 000	7 995 250	11 905 047	(3 909 797)

Fuel and Oil has been one of the commitment items that were hugely overspent in 2022/23 financial year. Adjusted budget for 2022/23 was R31,9m and actual expenditure was doubled the budget at R65,9m (see below table). The current expenditure exceeds the pro-rata budget by R4 m and this trend is taking the municipality to overspent budget.

Commitment Item	Commitment Item Description	Adjusted Budget 2022/23	Actuals Expenditure 2022/23	Overspent
4450000100	IE:Consumption:Fuel & Oil	31 982 600	65 939 146	(33 956 546)

5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1629110**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

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

PART 2 - SUPPORTING DOCUMENTATION

6. SUPPLY CHAIN MANAGEMENT POLICY

LEGISLATIVE FRAMEWORK

- Supply Chain Management Policy.
- Contract Management Policy.

SUPPLY CHAIN MANAGEMENT POLICY

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

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

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

CONTRACT MANAGEMENT POLICY

- **Statutory reporting and compliance**

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

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical considering the legislative requirements that should be fulfilled to avoid Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure. Furthermore, certain functions were transferred to the unit without increasing the staff, i.e. travelling and bid report writing. There is one vacancy filled during the quarter under review:

POSITION	REASON FOR VACANCY	STATUS
Deputy Manager: Demand and Acquisition	Promotion of Mr TS Cele to Head of Section: SCM	Appointed 1 August 2023

- **Internal Audit**

There was one (1) follow up internal audit in Quarter 1 of 2023/2024 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
24 to 28 July 2023	11	MFMA Bid Committee Training	National School of Government

- **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
Jul-23	24
Aug-23	19
Sep-23	41
	84

- **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 1609279**.

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

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

There were two deviation for the first quarter which amounts to R12 758 445,00 (Annexure AQ - DMS 1609279):

DEVIATIONS AS AT THE QUARTER ENDED 30 SEPTEMBER 2023				
	QUARTER 1		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value		
Financial Services (FS)	1	12 758 445	1,0	12 758 445
Community Services (COMS)	1	Rate based	1,0	-
Total	2	12 758 445	2	12 758 445

AWARDED TENDERS QUARTER 1 – 2023/24

MONTH	NUMBER OF AWARDS	TOTAL
Jul-23	1	11 273 706
Aug-23	4	31 893 818
Sep-23	3	44 425 825
TOTAL	8	87 593 349

TENDER ADMINISTRATION

TENDER NUMBERS ISSUED, PUBLISHED, CANCELLED AND SITTING OF BID COMMITTEES				
Tender numbers issued to user departments	Number of tenders published	Number of tenders Cancelled	Number of Bid Committees seated and cancelled	
			Seated	Cancelled
155	12	6	BSC 9	6
			BEC 19	2
			BAC 19	6

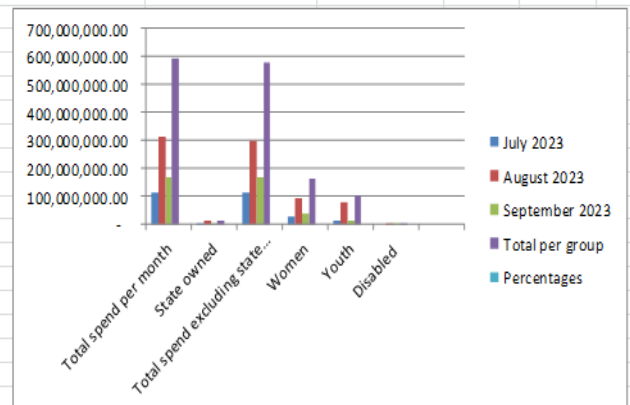
Number of Tenders where Validity Period were extended	
Number	Reasons
27	Due to the tender being referred back from the Committees for various reasons such as lack of supporting documentation and information.

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 1:**

	July 2023	August 2023	September 2023	Total per group	Percentages
Total spend per month	112,171,712.35	312,208,594.30	169,183,812.60	593,564,119.25	
State owned	582,257.72	12,100,037.92	2,676,697.20	15,358,992.84	
Total spend excluding state owned	111,589,454.63	300,108,556.38	166,507,115.40	578,205,126.41	
Women	29,099,652.32	92,367,314.37	40,533,379.99	162,000,346.68	0.28%
Youth	14,718,621.98	77,230,125.41	11,816,273.00	103,765,020.39	0.64%
Disabled	-	188,114.60	161,590	349,704.60	0.00%



- **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 JULY TO 30 SEPTEMBER 2023	
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 49)	
Details of objections or complains for tenders	NONE
Against the procurement process	N/A
Against the decision or action	N/A
MUNICIPAL BIDS APEALS TRIBUNAL (in terms of SCMP, clause 50A)	
Case referred by bidder	None
RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES (In terms of SCMP, Clause 50)	
Details of decision or action and queries taken in the implementation of the procurement process in terms of the supply chain management system; or any matter arising from a contract awarded in the course of the supply chain management system;	N/A

CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 1	
Details	Number
Contracts Expiring in 6 months	49
Total Contracts Carried Over from 01/07/2023	163
Total Effective Contracts 2023/24 - Quarter 1	147
Total Contracts closed in 2023/24 - Quarter 1	36
Total Captured in Quarter 1	20
Number of Contracts amended using 15% and 20 threshold	1

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/UMH829-21/22	Refurbishment of Airport Buildings	Umhlathuze Building Emporium	R504 714,22

MONTHLY STOCK COUNT

The Stock Count results for Quarter 1 ending 30 September 2023 are as follows:

STOCK TAKE RECONCILIATION FOR THE PERIOD ENDED 30 SEPTEMBER 2023	
DESCRIPTION	AMOUNT
Stock value before stocktake	31 978 577,73
Positive Variance	38 201,79
Negative Variance	-36 098,02
Fuel Value Before Stock Take	3 879 693,11
Inventory Value After Stock Take (Before receipt and issues during stock take)	35 860 374,61
Inventory for the Year	35 860 374,61
Differences	-

PART 3 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting Table SC3 - Aged Debtors (**Annexure M – DMS 1629110**) for the month ended 30 September 2023.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N – DMS 1629110**) for the month ended 30 September 2023.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O – DMS 1629110**) for the month ended 30 September 2023.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and Grant receipts (**Annexure P – DMS 1629110**) and supporting table SC7 - Transfers and Grant expenditure (**Annexure Q – DMS 1629110**) for the month ended 30 September 2023.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and Staff Benefits (**Annexure R – DMS 1629110**) for the month ended 30 September 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 1609279)**.

Although the detailed Component 5 as **Annexure AM (DMS 1609279)**, 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 1609279)** each Vote is illustrated in number order on the extreme left, Vote details of which is illustrated over 3 pages):

DEPARTMENT	ADOPTED BUDGET 2023/2024	SUPPLEMENTS/ (RETURNS)	VIREMENTS	FINANCIAL SYSTEM BUDGET 2023/24	ACTUAL SEPTEMBER 2023 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	56 581 000	-	-	56 581 000	1 839 640	3%
CITY DEVELOPMENT	56 581 000	-	-	56 581 000	1 839 640	3%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	53 031 900	8 774 900	18 818 000	80 624 800	16 548 590	21%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	4 180 000		(220 000)	3 960 000	6 655	0%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	46 571 900	8 774 900	19 038 000	74 384 800	16 537 777	22%
COMMUNITY SERVICES - PROTECTION SERVICES	2 280 000		-	2 280 000	4 158	0%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	46 680 000	-	400 000	47 080 000	2 711 010	6%
CORPORATE SERVICES - ADMINISTRATION	32 209 000		-	32 209 000	2 409 643	7%
CORPORATE SERVICES - ICT	14 112 000		400 000	14 512 000	301 366	2%
CORPORATE SERVICES - LEGAL SERVICES	1 000	-	-	1 000	-	0%
CORPORATE SERVICES - HUMAN RESOURCES	358 000	-	-	358 000	-	0%
CHIEF FINANCIAL OFFICER	10 407 000	-	-	10 407 000	1 608 217	15%
FINANCIAL SERVICES	10 407 000		-	10 407 000	1 608 217	15%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	158 295 000	2 565 300	(19 020 000)	141 840 300	12 356 116	9%
ELECTRICAL SUPPLY SERVICES	158 295 000	2 565 300	(19 020 000)	141 840 300	12 356 116	9%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	477 803 200	12 850 500	(198 000)	490 455 700	158 837 451	32%
ENGINEERING SUPPORT SERVICES	129 906 200	-	-	129 906 200	49 528 080	38%
TRANSPORT, ROADS AND STORMWATER	91 740 000	12 850 500	(198 000)	104 392 500	1 930 895	2%
WATER AND SANITATION	256 157 000	-	-	256 157 000	107 378 477	42%
OFFICE OF THE MUNICIPAL MANAGER	143 000	-	-	143 000	-	0%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	143 000	-	-	143 000	-	0%
TOTAL CAPITAL BUDGET	802 941 100	24 190 700	-	827 131 800	193 901 024	23%

13. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G – DMS 1629110**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H – DMS 1629110**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U – DMS 1629110**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V – DMS 1629110**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W – DMS 1629110**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X – DMS 1629110**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y– DMS 1629110**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1629110**).

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

Refer to **DMS 1630240 (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 1609279)** 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:”

R31 022 858,65 (NPA vehicle licence pay over).

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

R8 622,00

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

R1 288 175,50 (Refund of credit balances and deposits debtors accounts).

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

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

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

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

COMMENTS OF THE CHIEF FINANCIAL OFFICER

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

COMMENTS OF THE MUNICIPAL MANAGER

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

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 30 September 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 1629110)** including the quarterly requirements in terms of Section 52(d) be noted; and
2. savings as per Municipal Cost Containment Regulations **(under 4.3)** be noted.