

ITEM 896
FINANCIAL REPORTING AS AT 31 OCTOBER 2023

This report served before the Council on 23 November 2023. The recommendations were supported.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 October 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 October 2023 is included under **Annexures AA and AB (DMS 1637286)**.

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PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF OCTOBER 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 October 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 October 2023 (year to date actual) shows a surplus of R122 million. The performance in this area is **Acceptable**.

Capital Budget

Council is in the second quarter of the financial year and capital expenditure is moderate at R295 million (36,74%). 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 1,04:1 (Cash in Bank against average monthly liability's – R352 696 / 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 October 2023:

DESCRIPTION	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2023 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	4 931 450 700	1 709 347 500	1 841 484 567	107,73%
Expenditure	4 937 023 600	1 700 142 600	1 719 529 145	101,14%
Operating Surplus/(Deficit)	(5 572 900)	9 204 900	121 955 422	

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 October 2023 (year to date).

NB: Management is encouraged to make use of the dashboard for ease of reference on the financial performance and capital expenditure. Department to liaise with the Budget Office and ICT for assistance with reports and dashboard.



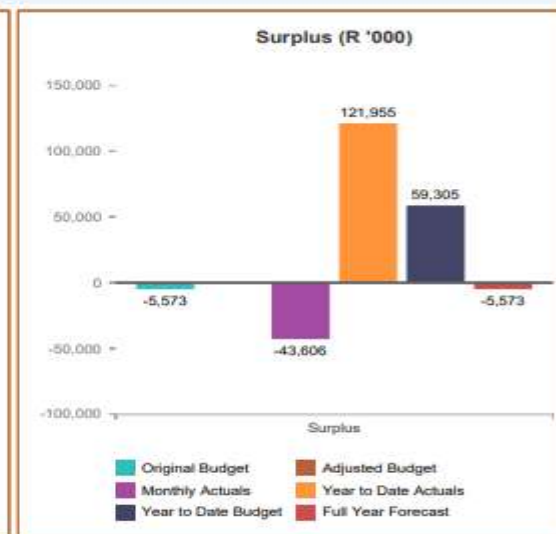
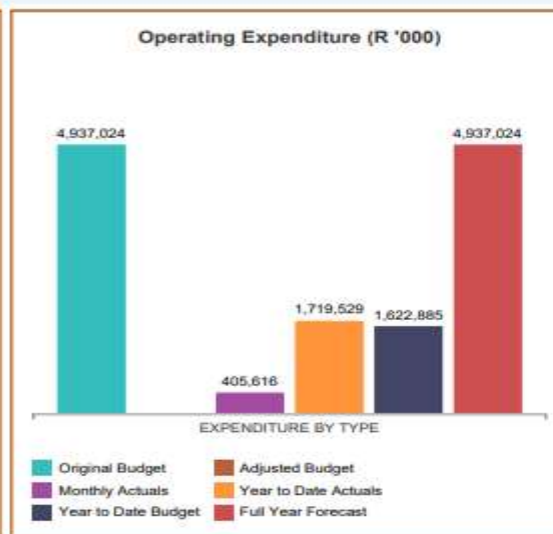
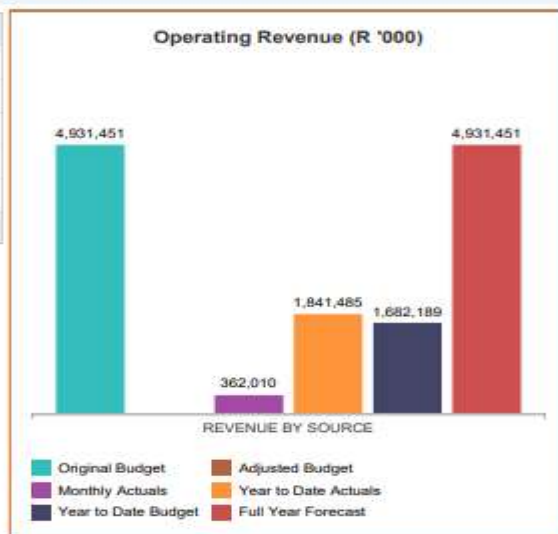
COU - FINANCIAL PERFORMANCE DASHBOARD FOR: OCTOBER, 2023



Operating Revenue (R '000)		Operating Expenditure (R '000)		Capital Transfers & Subsidies (R '000)		Surplus/(Deficit) for the year excluding Transfers & Subsidies (R '000)	
4,931,451	Original Budget	4,937,024	Original Budget	218,836	Original Budget	-5,573	Original Budget
0	Adjusted Budget	0	Adjusted Budget	0	Adjusted Budget	0	Adjusted Budget
362,010	Monthly Actual	405,616	Monthly Actual	15,186	Monthly Actual	-43,606	Monthly Actual
1,841,485	YTD Actual	1,719,529	YTD Actual	86,987	YTD Actual	121,955	YTD Actual
1,682,189	YTD Budget	1,622,885	YTD Budget	104,574	YTD Budget	59,305	YTD Budget
4,931,451	System Budget	4,937,024	System Budget	218,836	System Budget	-5,573	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 1,04:1 (352 696/340 197).

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 31/10/2023	ACTUAL EXPENDITURE AS AT 31/10/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	520 860 000	217 025 000	173 620 000	80%	33%	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.
Integrated Urban Development Grant-IUDG	153 196 000	62 000 000	68 631 679	111%	45%	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	541 142	22%	22%	The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement Financial Management Act (MFMA).
Water services infrastructure grant	55 000 000	22 000 000	14 573 433	66%	26%	To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.
Extended Public Works Programme	3 089 000	772 000	1 063 642	138%	34%	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%	Designs are completed, material has been purchased by the service provider and site establishment started on the second week of November, service provider will be submitting invoice for site establishment and purchased materials.
Energy Efficiency and Demand Management	5 000 000	2 000 000	388 010	19%	8%	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	258 817 906	83%	34%	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 31/10/2023	ACTUAL EXPENDITURE AS AT 31/10/2023	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	9 593 000	-	12 475 858	0%	130%	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	-	1 103 746	0%	54%	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	7 395 204	175%	167%	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	-	1 354 432	0%	544%	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	22 329 240	0%	137%	
				-		
TOTAL GRANTS AND SUBSIDIES	769 949 000	314 528 346	281 147 146	89%	37%	

3.4 Capital Budget Summary

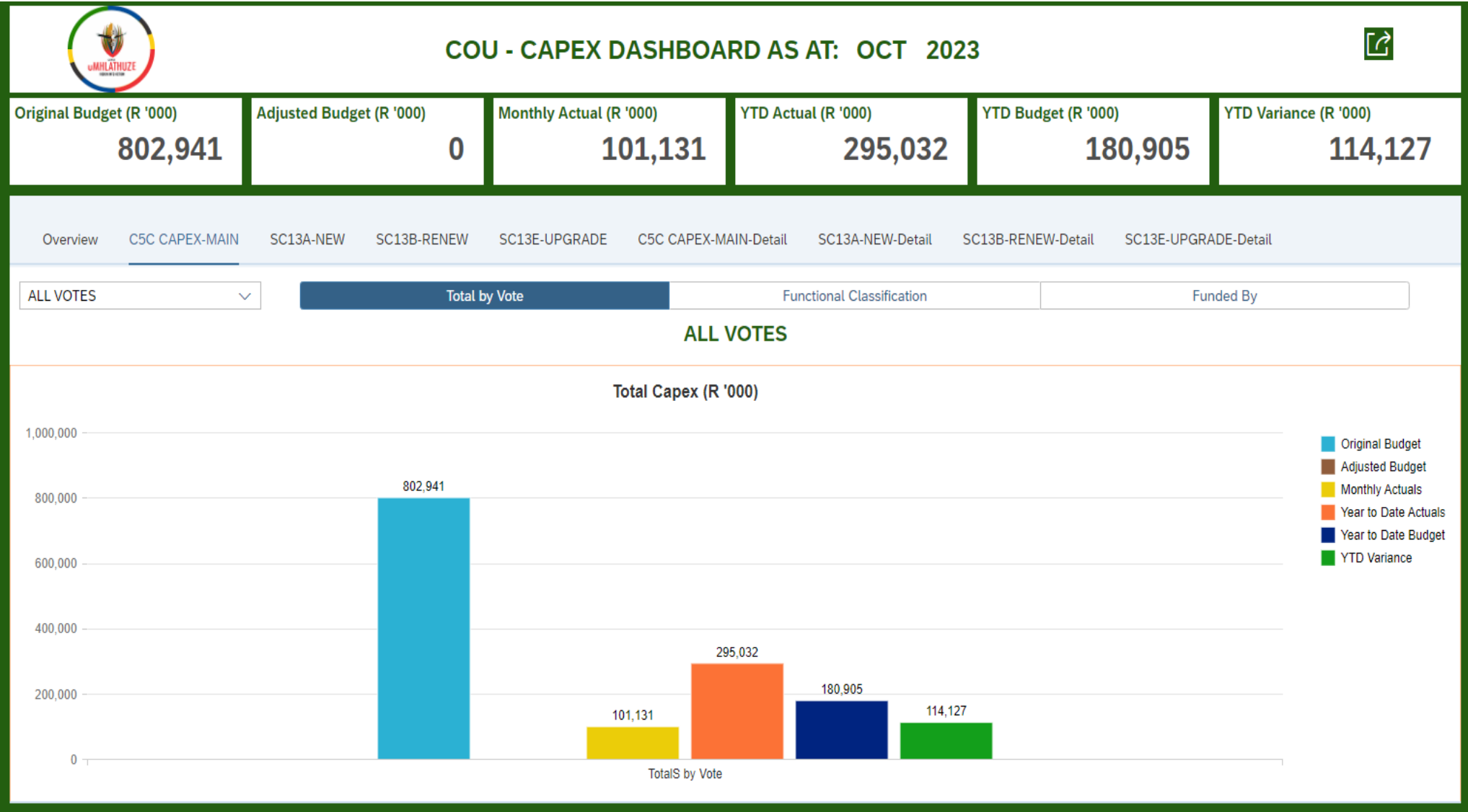
The table below represents Capital Expenditure incurred as at 31 October 2023:

FUNCTION	ADOPTED BUDGET 2023/2024	ACTUAL OCTOBER 2023 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Finance and Administration	68 672 500	15 174 044	22,10%
Community and Social Services	71 073 500	2 360 959	3,32%
Energy Sources	125 935 000	24 351 835	19,34%
Executive and Council	118 000	-	0,00%
Environmental Protection	1 248 000	150 370	12,05%
Air Transport - Air port	5 444 000	2 079 399	38,20%
Planning and Development	22 127 000	2 748 484	12,42%
Public Safety	1 785 000	10 813	0,61%
Road Transport	131 940 000	27 051 211	20,50%
Sport and Recreation	34 619 900	30 274 981	87,45%
Waste Management	12 230 000	1 936 068	15,83%
Waste Water Management	125 265 800	35 817 761	28,59%
Water Management	202 482 400	153 076 330	75,60%
	802 941 100	295 032 253	36,74%

Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADOPTED BUDGET 2023/2024	ACTUAL OCTOBER 2023 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Borrowing	406 569 000	153 665 757	37,80%
Capital Replacement Reserve	177 535 900	66 379 718	37,39%
Integrated Urban Development Grant	145 536 200	59 553 041	40,92%
Government Grants - National	73 300 000	15 433 737	21,06%
TOTAL	802 941 100	295 032 253	36,74%

Capital Expenditure by vote (departments)



Capital Virements:

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

FROM					TO				
Date Received	Department	Project Number From	Project Description	Amount	Project Number To	Project Description	Comments by Departments	Amount	RPT Number
03/10/2023	IS-Storm Water	N/BFAMA1.173	Water Tanker and Jetting Machine	80 000	N/ADAMA1.020	Upgrade and Renovations to Roads and Storm water Depots.	Funds needed for Depots renovations	80 000	176354
04/10/2023	Electrical and Energy Services	N/AQBDA1.001	Installation of APN Connectivity System	10 000	N/BKBDA1.101	New and Replacment of IT Related Equipment	Top up of funds for procurement of a new laptop.	10 000	
05/10/2023	IS- Support Services	I/DCAJA1.001	Upgrade of Alton transfer station (Phase 1&2)	1 000 000	N/CYAJA1.002	KwaDlangezwa Swimming Pool.	Re-Allocation of IUDG Funding for the construction of Vulindlela Swimming pool.	7 300 000	176293
		I/DIAJA1.160	Mzingazi Sewer	6 300 000					
13/10/2023	Community Services	N/CZBDA1.005	Upgrade of Bhucanana indoor sport facility	1 000 000	N/CZBDA1.074	Resurface 4 Volleyball courts-Central sport complex	Urgent refurbishment is required on several courts at the Central Sports complex.	3 800 000	176822
		N/CZBD20.001	Refurb Khayaletu Sports facility-Ablution facility	1 000 000					
		N/CYBDA1.009	Renovation of Aquadene Swimming pool.	1 000 000					
		N/CZBDA1.001	Upgrade of Recreational Facilities	800 000					
		N/CYBDA1.068	Improvements/Renovations to Esikhaleni Swimming pool.	1 300 000	N/CYBDA1.072	Improvements/Renovations to Empangeni Swimming pool.	Repairs required to the Empangeni swimming pool.	2 500 000	
		N/CYBDA1.005	Improvements/Renovations to Arboretum Swimming pool.	1 000 000					
		N/CYBDA1.073	Improvements/Renovations to Brackenhams Swimming pool.	200 000					
13/10/2023	Community Services	N/AEBDA1.006	All Libraries staff chairs.	200 000	N/AEBDA1.006	All Libraries staff chairs.	Correction of commitment item for Library staff chairs.	200 000	176822
13/10/2023	Municipal Buildings	N/ADBDA1.183	Upgrade and Renovate Ablution facilities at Depots.	20 000	I/BKBDA1.100	Data Points New/Additional.	Funds required for new network points at Richards Bay and Empangeni Civic centres.	20 000	174439
27/10/2023	Electrical and Energy Services	I/APAMA1.129	High mast Lighting Installation (Traditional Areas)	150 000	N/APAMA1.002	Tools for Electrical	To cover shortfall for purchasing tools	150 000	176994
27/10/2023	IS-Water and Sanitation	I/DIBDA1.008	Upgrade-Esikhaleni Sewer	1 324 800	I/DMBDA1.004	Construction of Package Plant	Re-Allocation of funding to process invoices for the construction of Package Plant.	16 465 600	176855
		I/DIBDA1.010	Upgrade-Empangeni Sewer	1 158 400					
		N/DNBDA1.003	Data Loggers	1 000 000					
		I/DNBDA1.019	Lofheim Reservoir Upgrade	1 482 400					
		N/BFBDA1.168	Truck mounted Jetting machine with 5000L Tanker X3	4 000 000					
		I/DMBDA1.014	Pumpstation- Forest Reservoir to Vulindlela Reservoir	7 500 000					

NOTES:

OFFICIAL FINAL VERSION

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FROM					TO				
Date Received	Department	Project Number From	Project Description	Amount	Project Number To	Project Description	Comments by Departments	Amount	RPT Number
29/10/2023	IS-Water and Sanitation	N/DIAMA1.001	Sewer Master Plan	1 000 000	I/DHAM02.205	Replacement of Pumps	Funds required for Replacement of Pumps.	12 000 000	176855
		I/DIAM06.001	Upgrade- Nseleni Sewer	3 000 000					
		I/DIAMA1.004	Upgrade- Vulindlela Sewer Pipeline	5 000 000					
		N/BFAM02.193	4X TLB 4X4 (Urban Water & Sanitation)	3 000 000					
		I/DIAM06.001	Upgrade- Nseleni Sewer	2 000 000	I/DNAMA1.025	Water Pipe Replacement	Funds required for Water Pipe Replacement.	6 000 000	176855
		N/DIAMA1.001	Sewer Master Plan	2 000 000					
		I/DMAMA1.006	Pumpstation- Forest Reservoir to Vulindlela Reservoir	2 000 000					
31/10/2023	Municipal Buildings	N/ADBDA1.047	Designs for New Western Services Depot	1 000 000	N/ADBDA1.101	Empangeni West: Service Depot Roof Cover	Roof replacement and structural repairs at Western and Southern Services Depots.	1 500 000	174439
		N/ADBDA1.048	Designs for New Southern Services Depot	1 000 000	N/ADBDA1.102	Esikhaleni South: Service Depot Roof Cover		500 000	
31/10/2023	Office of the City Manager	N/AYBDA1.002	New Recorder for Meetings	23 000	N/AYBDA1.001	Furniture: Office of the Municipal Manager	Funds required for City Manager's Office Equipment.	28 000	177004
		N/BOBDA1.001	New Refrigerator for Office use	5 000					
				50 553 600				50 553 600	

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 in order to minimise this aforementioned activity and ensure that they adhere to their budgeted amounts. A total of R50,6 million of virements in October 2023 is a concern considering that it is only the fourth 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 and provide reasons as to why these virements were necessary.

3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2023 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 212 559 100	390 816 600	377 388 399	96,56%
Remuneration of Councillors	35 509 700	11 837 200	10 348 426	87,42%
Bulk Purchases - Electricity	1 492 128 200	549 181 400	513 961 614	93,59%
Inventory consumed - Water	306 540 400	140 784 600	144 733 454	102,80%
Inventory consumed - Materials	154 438 600	51 479 533	55 299 582	107,42%
Debt Impairment	173 882 500	57 960 833	55 207 751	95,25%
Depreciation and asset impairment	320 159 500	106 719 833	104 288 777	97,72%
Finance Charges	130 490 500	43 496 800	44 255 563	101,74%
Contracted Services	409 217 200	136 405 733	171 367 030	125,63%
Transfers and Subsidies	14 758 700	1 731 600	2 279 041	131,61%
Irrecoverable debts written off	-	-	10 188 389	0,00%
Operational costs	343 729 600	114 576 533	111 590 173	97,39%
Losses - Water Inventory (note 1)	343 609 600	114 536 533	118 620 945	103,57%
TOTAL	4 937 023 600	1 719 527 200	1 719 529 145	100,00%

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

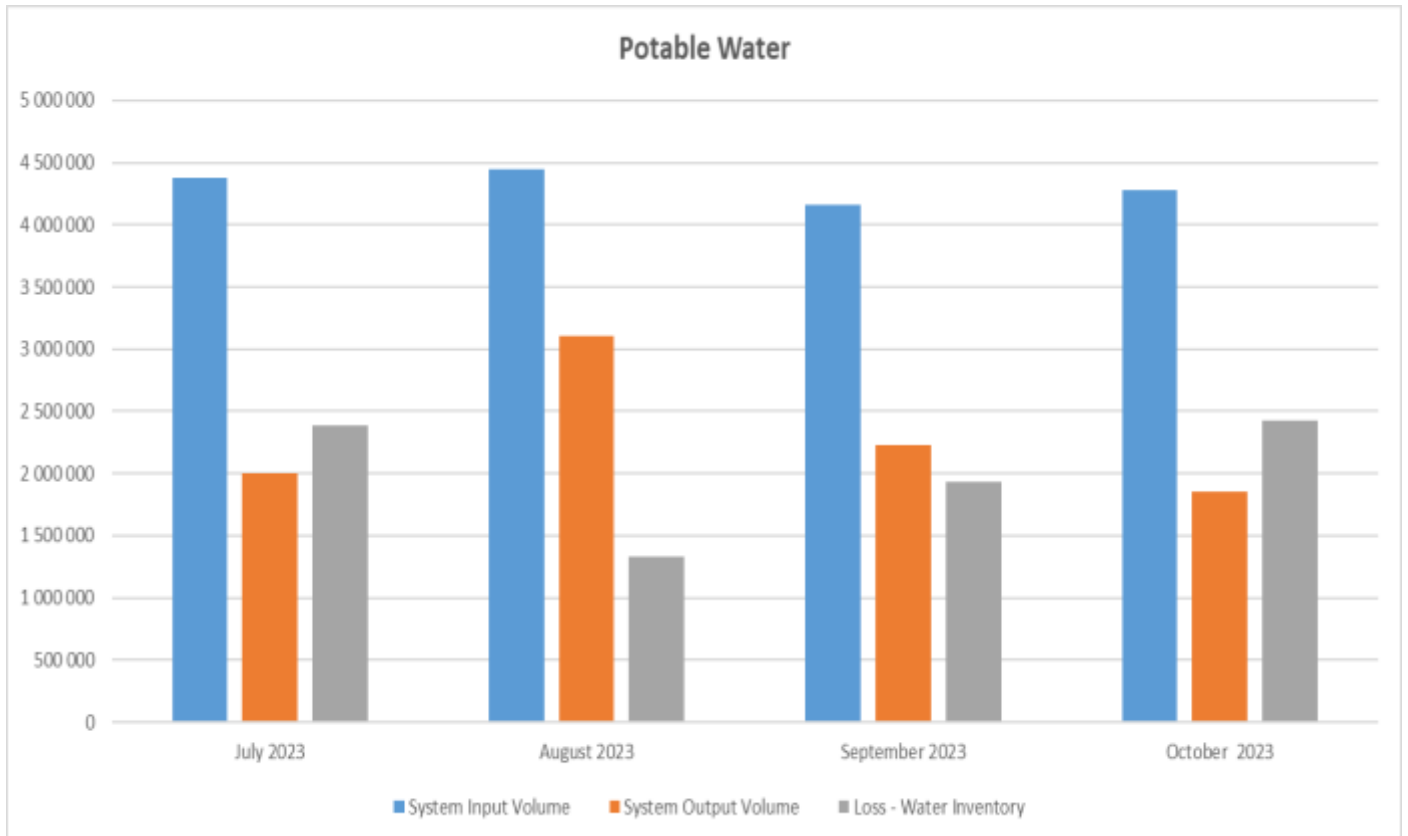
Note 1 and 2 above:

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
Output						
Inventory consumed - Water Billed (Authorised)	300 038 800	282 415 300	17 623 500	143 300 450	134 787 983	8 512 466
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	1 433 005	1 347 880	85 125
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	144 733 454	136 135 863	8 597 591
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	118 566 360	118 206 145	360 215
Total Water Inventory (Consumed plus losses)	650 150 000	630 485 700	19 664 300	263 299 814	254 342 008	8 957 806

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	10 502 723	9 100 430	1 402 293
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	104 989	91 004	13 985
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	10 607 712	9 191 435	1 416 277
Loss - Water Inventory	29 820 657	29 323 657	497 000	8 138 070	8 076 884	61 186
% Loss - Water Inventory	50,2%	54,2%	9,4%	43,4%	46,8%	4,1%
Total Water Inventory (Consumed plus losses)	59 396 015	54 096 015	5 300 000	18 745 782	17 268 319	1 477 464

Potable Water Inventory - in Units (kl)				
Water Inventory	July 2023	August 2023	September 2023	October 2023
System Input Volume	4 380 459	4 445 271	4 162 506	4 280 083
System Output Volume	1 997 129	3 110 282	2 232 445	1 851 578
Loss - Water Inventory	2 383 330	1 334 989	1 930 061	2 428 505



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 OCTOBER 2023 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 150 331 000	711 935 900	759 736 518	106,71%
Service Charges – Water revenue	588 970 400	207 238 100	224 954 902	108,55%
Service charges - Waste Water Management	119 676 200	42 242 000	40 623 739	96,17%
Service charges - Waste management	114 791 500	51 399 900	38 923 057	75,73%
Sale of Goods and Rendering of Services	12 365 800	4 121 933	59 770 007	1450,05%
Agency services	6 364 800	5 081 000	2 542 286	50,04%
Interest earned from Receivables	29 400	23 100	-	0,00%
Interest from Current and Non Current Assets	64 500 000	21 500 000	5 703 845	26,53%
Rent on Land	849 900	218 000	654 558	300,26%
Rental from Fixed Assets	16 073 500	3 490 900	3 503 269	100,35%
Operational Revenue	8 624 600	2 591 500	2 541 463	98,07%
Non-Exchange Revenue				
Property rates	736 829 200	257 396 500	257 808 856	100,16%
Surcharges and Taxes	6 332 000	1 503 000	2 370 049	157,69%
Fines, penalties and forfeits	15 753 500	4 042 500	652 583	16,14%
Licence and permits	3 631 700	2 899 200	1 068 569	0,00%
Transfers and subsidies - Operational	551 826 800	228 471 200	230 241 197	100,77%
Interest	-	-	691 760	0,00%
Other Gains	26 281 900	8 760 633	8 760 633	100,00%
Gains - Water Inventory	508 218 500	169 406 167	200 937 275	118,61%
TOTAL OPERATING REVENUE	4 931 450 700	1 722 321 533	1 841 484 567	106,92%

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

Sale of Goods and Rendering of Services – This is a result of the change in the Accounting Policy for housing implementation projects emanating from previous year's audit which requires expenditure to be recognised as contracted services and a corresponding contract revenue recognised accordingly in line with GRAP 11. The change in the budget will be accommodated in the Adjustment Budget based on the amount advanced by Human Settlements.

Furthermore, NCT Forestry Corporation was billed R1,2 million for fire services that was provided by Fire Section to respond to conveyor belt fire at the company.

3.7 Surplus and Deficit by Function

FUNCTION	ADOPTED BUDGET 2023/24			ACTUAL AS AT 31 OCTOBER 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)	292 899	16 264 332	(15 971 434)
Finance and Administration	1 035 106 400	217 576 000	817 530 400	357 238 706	54 205 286	303 033 420
Community and Social Services	19 041 000	152 465 000	(133 424 000)	2 108 075	45 846 117	(43 738 042)
Sport and Recreation	5 451 000	225 553 000	(220 102 000)	3 654 455	70 244 032	(66 589 577)
Public Safety	15 783 000	204 739 600	(188 956 600)	3 596 138	64 471 281	(60 875 143)
Housing	6 476 200	29 963 700	(23 487 500)	60 386 011	65 525 698	(5 139 687)
Enviromental Protection	88 600	8 546 400	(8 457 800)	25 139	1 999 687	(1 974 548)
Health	27 500	5 785 500	(5 758 000)	9 167	1 759 138	(1 749 972)
Planning and Development	14 529 300	105 936 200	(91 406 900)	2 641 632	28 081 550	(25 439 918)
Internal Audit	74 100	68 300	5 800	24 726	(2 377 794)	2 402 519
Road Transport	12 699 500	291 821 500	(279 122 000)	9 919 385	95 846 214	(85 926 829)
Air T ransport and other	9 622 200	25 235 500	(15 613 300)	338 355	7 238 368	(6 900 013)
Energy sources	2 204 429 900	1 931 199 000	273 230 900	782 481 030	648 098 877	134 382 153
Water management	1 156 968 900	1 158 368 500	(1 399 600)	449 410 716	464 198 887	(14 788 171)
Waste water management	232 580 000	332 291 300	(99 711 300)	88 283 683	101 220 599	(12 936 916)
Waste management	217 638 600	208 221 400	9 417 200	81 074 450	56 906 871	24 167 579
Total	4 931 450 700	4 937 023 600	(5 572 900)	1 841 484 567	1 719 529 145	121 955 422

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) and Waste Management are yielding surpluses on the actuals.**

3.8 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days
	R
Bulk Electricity	121 059 866
PAYE deductions	15 579 115
Pensions / Retirement deductions	14 129 701
Trade Creditors	22 592 987
Other	4 333
Total By Customer Type	173 366 002



The above table represents the ageing of creditors outstanding as at 31 October 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 October 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	194 401 471	36 490 204	27 819 007	66 858 066	325 568 748
Business	199 030 233	4 791 648	3 579 134	84 434 782	291 835 798
Households	53 120 453	7 581 992	6 822 092	180 158 317	247 682 855
Other	1 034 276	114 921	254 415	7 657 691	9 061 303
Total	447 586 435	48 978 765	38 474 649	339 108 855	874 148 703
%	51,20%	5,60%	4,40%	38,79%	



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:

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

PAYMENT RATIO						
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate - Rolling 12 Months	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	95%		100%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance Oct 2023	873 648 594	
				Gross Debtors opening balance Nov 2022	1 063 500 459	
				Bad debts written Off Nov 2022 to Oct 2023	186 207 505	
				Billed Revenue Nov 2022 - Oct 2023	3 517 196 057	

➤ 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:

Formula (As per circular 71)	Norm
(Gross Debtors - Bad Debt Provision) / Billed Revenue) x 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		76 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance Oct 2023	873 648 594	
			Bad debts Provision 2023 / 2024	142 600 000	
			Billed Revenue Nov 2022 - Oct 2023	3 517 196 057	

➤ **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	40	-	-	-	21 328 753	21 328 793
1610626	PRIVATE BUSINESS	-	-	-	-	6 106 823	6 106 823
416383	PRIVATE BUSINESS	162 097	-	81 048	156 936	5 820 585	6 220 666
2289941	PRIVATE BUSINESS	-	-	-	-	5 046 137	5 046 137
2328365	STATE OWNED ENTITIES	-	-	-	900 600	4 615 650	5 516 250
2273109	STATE HOUSEHOLD PROV	5 267	-	2 645	-	3 899 599	3 907 510
30000543	SUNDRIES AND OTHER	551 481	-	275 741	533 925	3 815 226	5 176 373
2369555	STATE BUSINESS PROV	404 532	203 335	201 197	185 067	3 098 942	4 093 074
2328855	STATE OWNED ENTITIES	-	-	-	506 706	2 700 837	3 207 543
		1 123 417	203 335	560 631	2 283 235	78 810 142	82 980 759

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	1 450 285,06	-1 983 918	151 842	20 223	444 909	83 342
Dept of Agriculture and Rural Development & land Reform	58 623,22	20 251	295 368	0	274 546	648 788
Department of Water Affairs and Sanitation	-	0	0	0	-972 551	-972 551
	1 508 908	-1 963 667	447 210	20 223	-253 095	-240 421
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	84 725	21 573	22 314 508	6 282 852	2 013 137	30 716 795
Education	1 927 146	645 190	492 150	298 122	5 616 781	8 979 388
Tvet Colleges	2 745 325	860 724	571 338	1 977 417	1 196	6 156 000
Human Settlement	125 161	7 434	227 543	3 399	635 247	998 784
Department of Transport	86 407	12 387	2 814	2 559	48 081	152 249
Department of Health	2 925 233	-	2 645	-195 179	3 731 646	6 464 345
Department of Social Welfare	149 428	55 211	-	-	-	204 639
	8 043 424	1 602 519	23 610 998	8 369 170	12 046 089	53 672 199
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	12 049 463	4 171 121	565 996	87 120	-1 696 399	15 177 302
ESKOM	239 582	-1 211	2 635	2 258	47 571	290 835
Ingonyama Trust Board	821 722	428 669	1 042 449	1 969 555	17 377 170	21 639 566
Telkom	758 940	714	849	908	11 727	773 140
Foskor	35 818 075	256 634	1 813 205	-	-	37 887 914
SA Post Office	46 409	21 968	22 699	25 637	134 488	251 201
Richards Bay IDZ	3 500 486	-	-	-	-	3 500 486
Mhlathuze Water Board	5 434 042	-	-	-	21 328 753	26 762 794
King Cetshwayo District Municipality	17 549 285	31 960 457	156 090	3 195 953	173 280	53 035 064
	76 218 005	36 838 352	3 603 924	5 281 432	37 376 590	159 318 302

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 R339 235,46 as per **Annexure AD - DMS 1637286**.

Councillors' debt amounts to R23 789,73 as per **Annexure AC - DMS 1637286**.

3.11 MFMA Circular number 71 Uniform Financial Ratios

MFMA Circular 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 1637286**.

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

The following monthly budget statement tables (**DMS 1637288**) 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 1637288**) for the month ended 31 October 2023.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) (**DMS 1637288**) for the month ended 31 October 2023.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) (**DMS 1637288**) for the month ended 31 October 2023.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) (**DMS 1637288**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) (**DMS 1637288**) for the month ended 31 October 2023.

9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) (**DMS 1637288**) for the month ended 31 October 2023.

10. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**) (**DMS 1637288**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**) (**DMS 1637288**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**) (**DMS 1637288**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**) (**DMS 1637288**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**) (**DMS 1637288**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**) (**DMS 1637288**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**) (**DMS 1637288**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**) (**DMS 1637288**).

AMENDED PAGE 31: COUNCIL AGENDA VOLUME 1 – ITEM 16777

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1637724 (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.

DISCUSSION HELD AT THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 22 NOVEMBER 2023

The Committee deliberated the report and concern was expressed regarding the Provincial Grants that have been gazetted but not yet received by the municipality. It was pointed out that currently the municipality is cross subsidising these functions such as the library services, which falls under the ambit of provincial government. The Council is compelled to allocate a budget in order to ensure that the services are provided to the communities, impacting on other functions under the municipality. The Administration was requested to engage with other spheres of Government regarding the cross subsidisation of funding by Council for various services that falls under their functions and responsibilities. Furthermore, Provincial Government be requested to indicate the timeframe in which the Grants will be released as expenditure incurred to date on various government services need to be recouped.

Further discussion ensued and concern was raised regarding the Department of Health utilising municipal property free of charge for the provision of Clinic services. The Committee was advised that discussions were held regarding this matter and the Department of Health had indicated that they were willing to pay a nominal rent for these premises. It bears noting that further engagement specifically dealing with the issue needs to be held to resolve this matter whilst ensuring that services continue. The matter has been referred to Council's Legal Section to ascertain as to whether a market related rental be charged or a nominal rental is acceptable. A Service Level Agreement will be drafted in line with the required legislation. The Committee indicated that the current arrangement cannot continue indefinitely as the municipality is incurring costs for maintaining these facilities.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 31 October 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 1637288)**, be noted;
2. the Administration to engage with Provincial Government regarding the cross subsidisation of funding by Council for various services that falls under the functions and responsibilities of Provincial Government which is negatively impacting on municipal finances; and
3. the Administration to engage with Government regarding the timeframe in which the Grants as gazetted will be released as the expenditure incurred to date by the municipality on various government services need to be recouped.