

16962

## FINANCIAL REPORTING AS AT 31 JANUARY 2024

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

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 January 2024 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 January 2024 is included under **Annexures AA and AB (DMS 1652860)**.

## TABLE OF CONTENTS

PART 1 - IN-YEAR REPORT	
1.	Mayor's report for the month of January 2024
2.	Resolutions
3.	Executive Summary
3.1	Executive Summary - Operating Budget
3.2	Executive Summary - Cash Flow Situation
3.3	Executive Summary - Grants Balances
3.4	Executive Summary - Capital Budget Summary
3.5	Executive Summary - Expenditure per Category
3.6	Executive Summary - Revenue per Category
3.7	Executive Summary - Surplus and Deficit by Function
3.8	Executive Summary - Creditors Age Analysis
3.9	Executive Summary - Debtors Age Analysis
3.10	Executive Summary - Employee Debt and Councillor Debt
3.11	Executive Summary – Financial Ratios
4.	In-year budget statement tables
PART 2 - SUPPORTING DOCUMENTATION	
5.	Debtors' Analysis
6.	Creditors' Analysis
7.	Investment portfolio analysis
8.	Allocation and grant receipts and expenditure
9.	Councillor allowances and employee benefits
10.	Capital programme performance
11.	Municipal Manager's quality certification

## PART 1 - IN-YEAR REPORTING

### 1. MAYOR'S REPORT FOR THE MONTH OF JANUARY 2024

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 January 2024, 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 January 2024 (year to date actual) shows a deficit of R62,2 million. The performance in this area is **Not Acceptable**.

## Capital Budget

Council is in the second quarter of the financial year and capital expenditure is moderate at R489,8 million (61,00%). 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 1,05:1 (Cash in Bank against average monthly liability's – R358 844 / 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 January 2024:

DESCRIPTION	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	4 931 450 700	2 932 579 475	2 949 483 679	100,58%
Expenditure	4 937 023 600	2 941 773 650	3 011 719 090	102,38%
Operating Surplus/(Deficit)	(5 572 900)	(9 194 175)	(62 235 411)	

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 January 2024 (year to date).

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



## COU - FINANCIAL PERFORMANCE DASHBOARD FOR: JANUARY, 2024



### Operating Revenue (R '000)

4,931,451	Original Budget
0	Adjusted Budget
336,224	Monthly Actual
2,949,484	YTD Actual
2,841,831	YTD Budget
4,931,451	System Budget

### Operating Expenditure (R '000)

4,937,024	Original Budget
0	Adjusted Budget
448,016	Monthly Actual
3,011,719	YTD Actual
2,796,115	YTD Budget
4,937,024	System Budget

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

218,836	Original Budget
0	Adjusted Budget
47,200	Monthly Actual
142,550	YTD Actual
157,775	YTD Budget
218,836	System Budget

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

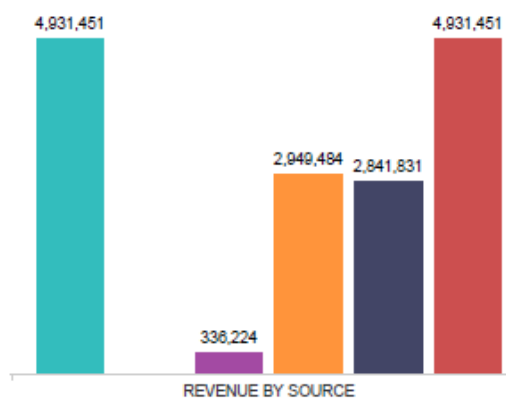
-5,573	Original Budget
0	Adjusted Budget
-111,792	Monthly Actual
-62,235	YTD Actual
45,717	YTD Budget
-5,573	System Budget

#### Overview

#### Revenue & Expenditure Analysis

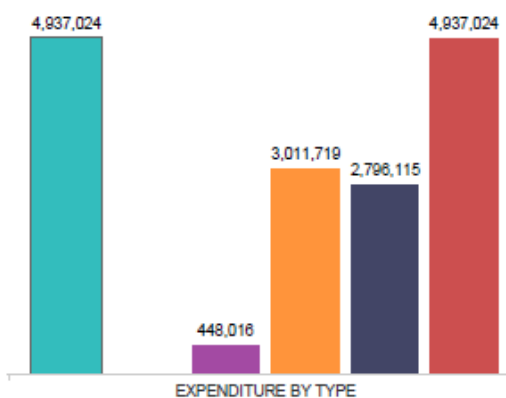
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

#### Operating Revenue (R '000)



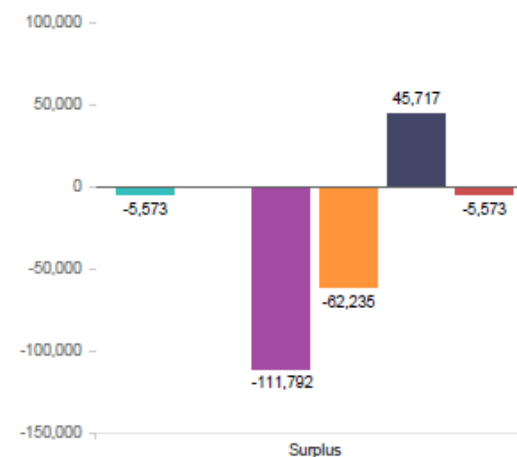
Original Budget  
Adjusted Budget  
Monthly Actuals  
Year to Date Actuals  
Year to Date Budget  
Full Year Forecast

#### Operating Expenditure (R '000)



Original Budget  
Adjusted Budget  
Monthly Actuals  
Year to Date Actuals  
Year to Date Budget  
Full Year Forecast

#### Surplus (R '000)



Original Budget  
Adjusted Budget  
Monthly Actuals  
Year to Date Actuals  
Year to Date Budget  
Full Year Forecast

### **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 1,05:1 (358 844/340 197).

This is fundamentally due to over-expenditure in the previous financial year. Expenditure of which had to be funded from internal reserves, practice of which is not sustainable. This together with the fact that the Municipality has spent R258,7m on capex funded by borrowing, loan of which is not yet received from the successful tenderers as at date of this report.

### 3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 31/01/2024	ACTUAL EXPENDITURE AS AT 31/01/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>NATIONAL TREASURY</b>						
Equitable Share	520 860 000	390 645 000	303 835 000	78%	58%	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	92 000 000	122 737 613	133%	80%	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	806 128	32%	32%	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	40 000 000	22 000 000	19 537 491	89%	49%	This Grants has been reduced with an amount of 15 Million Rands on the amended DoRa issued in october.Reductions are focused on grants and programmes where there has been significant underspending in recent years.
Extended Public Works Programme	2 916 000	2 162 000	1 806 602	84%	62%	The grant is for the operational expenditure for EPWP.This grant has been reduced with an amount of R 173 000.00 as per the amended DORA.Reductions are focused on grants and programmes where there has been significant underspending in recent years
Integrated National Electrification Programme Grant	14 000 000	4 000 000	1 678 006	42%	12%	The grant i to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings.Expenditure shown is for the period under review.
Municipal Disaster Recovery Grant	26 590 338	26 590 338	11 468 722	43%	43%	The Grant is for reconstruction and rehabilitation of damaged municipal infrastructure due to the 2022 storms.The amount shown is the rollover of funds that has been fully granted by National Treasury into 2023/2024 financial year.
Energy Efficiency and Demand Management	5 000 000	4 000 000	810 512	20%	16%	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. Most of the expenditure is planned for the third and last quarter.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>765 062 338</b>	<b>543 897 338</b>	<b>462 680 073</b>	<b>85%</b>	<b>60%</b>	

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 31/01/2024	ACTUAL EXPENDITURE AS AT 31/01/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>PROVINCIAL TREASURY</b>						
Provincialisation of Libraries	9 593 000	9 593 000	22 146 771	231%	231%	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	2 032 800	1 706 174	84%	84%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	4 429 000	4 664 925	12 902 926	277%	291%	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	249 000	2 267 244	911%	911%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>16 304 000</b>	<b>16 539 725</b>	<b>39 023 114</b>	<b>236%</b>	<b>239%</b>	
				-		
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>781 366 338</b>	<b>560 437 063</b>	<b>501 703 188</b>	<b>90%</b>	<b>64%</b>	



### 3.4 Capital Budget Summary

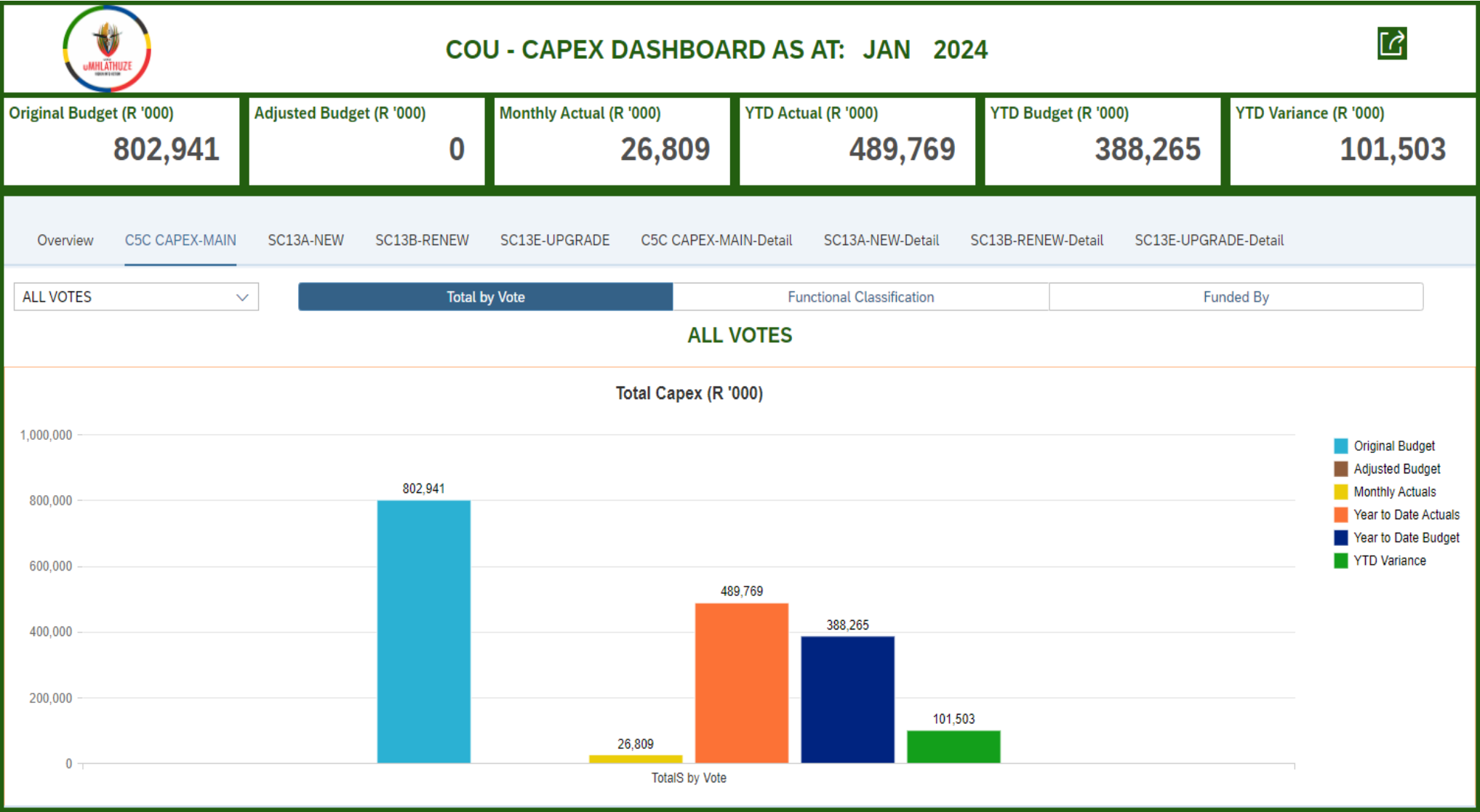
The table below represents Capital Expenditure incurred as at 31 January 2024:

<b>FUNCTION</b>	<b>ADOPTED BUDGET 2023/2024</b>	<b>ACTUAL JANUARY 2024 (YTD)</b>	<b>% OF ADOPTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Finance and Administration	68 672 500	16 057 757	23,38%
Community and Social Services	71 073 500	25 698 115	36,16%
Energy Sources	125 935 000	51 928 518	41,23%
Executive and Council	118 000	51 162	43,36%
Environmental Protection	1 248 000	150 370	12,05%
Air Transport - Air port	5 444 000	4 130 995	75,88%
Planning and Development	22 127 000	2 756 584	12,46%
Public Safety	1 785 000	257 828	14,44%
Road Transport	131 940 000	60 821 137	46,10%
Sport and Recreation	34 619 900	57 109 124	164,96%
Waste Management	12 230 000	1 936 068	15,83%
Waste Water Management	125 265 800	61 593 369	49,17%
Water Management	202 482 400	207 277 601	102,37%
	<b>802 941 100</b>	<b>489 768 629</b>	<b>61,00%</b>

#### Capital Expenditure by Source of Funding

<b>SOURCE OF FUNDING</b>	<b>ADOPTED BUDGET 2023/2024</b>	<b>ACTUAL JANUARY 2024 (YTD)</b>	<b>% OF ADOPTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	406 569 000	258 707 117	63,63%
Capital Replacement Reserve	177 535 900	96 768 043	54,51%
Integrated Urban Development Grant	145 536 200	105 281 719	72,34%
Government Grants - National	73 300 000	29 011 750	39,58%
<b>TOTAL</b>	<b>802 941 100</b>	<b>489 768 629</b>	<b>61,00%</b>

Capital Expenditure by Vote (Departments)



### 3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 January 2024:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2023/2024	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 212 559 100	695 348 700	671 934 122	96,63%
Remuneration of Councillors	35 509 700	20 715 100	17 962 261	86,71%
Bulk Purchases - Electricity	1 492 128 200	881 710 500	914 127 028	103,68%
Inventory consumed - Water	306 540 400	243 162 300	210 969 107	86,76%
Inventory consumed - Materials	154 438 600	90 089 183	102 203 877	113,45%
Debt Impairment	173 882 500	100 378 600	96 627 576	96,26%
Depreciation and asset impairment	320 159 500	182 300 400	182 375 606	100,04%
Finance Charges	130 490 500	76 119 300	90 399 653	118,76%
Contracted Services	409 217 200	242 654 000	290 219 638	119,60%
Transfers and Subsidies	14 758 700	8 347 700	4 170 944	49,97%
Irrecoverable debts written off	-	-	12 760 732	0,00%
Operational costs	343 729 600	200 508 933	194 487 308	97,00%
Losses - Water Inventory (note 1)	343 609 600	200 438 933	223 481 237	111,50%
<b>TOTAL</b>	<b>4 937 023 600</b>	<b>2 941 773 650</b>	<b>3 011 719 090</b>	<b>102,38%</b>

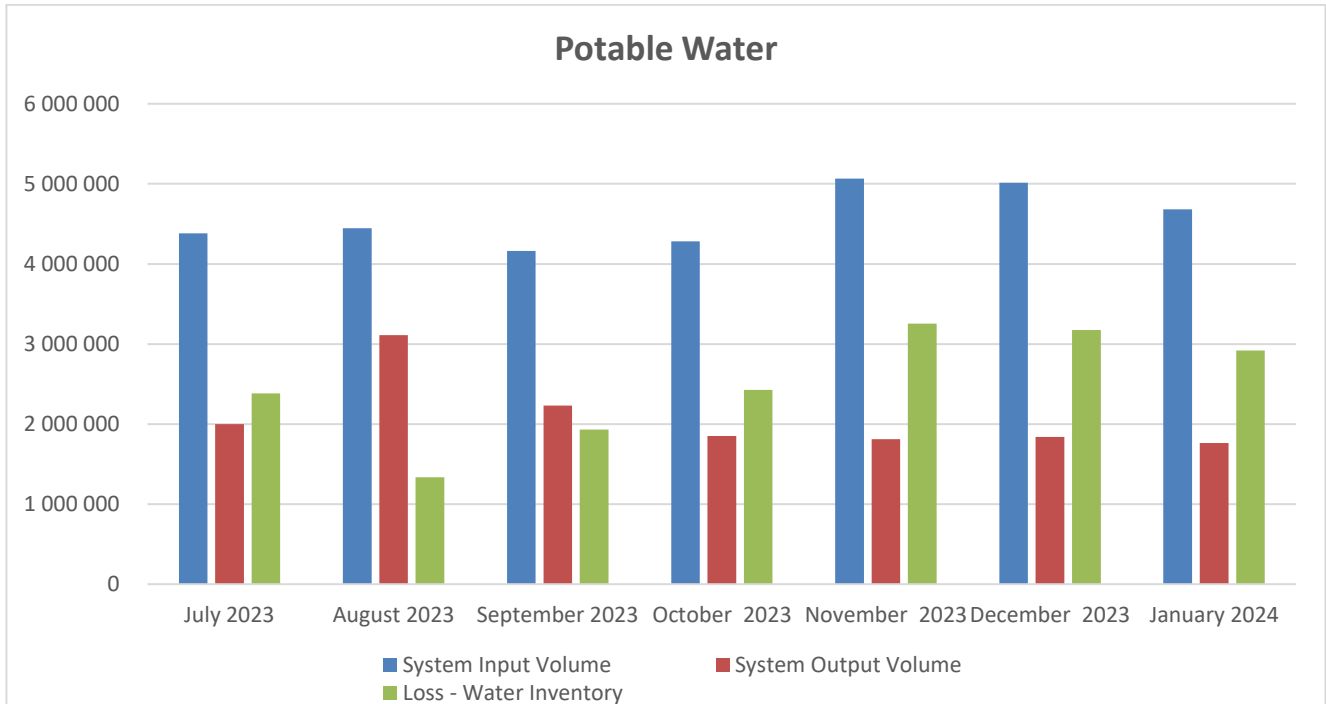
**Note 1 and 2 above:**

In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. This model has been derived after consultation with the National Water and Sanitation Department and will ensure that water inventory is correctly reflected.

Water Inventory - in Rands						
Water Inventory	Original Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R
<b>Output</b>						
Inventory consumed - Water Billed (Authorised)	300 038 800	282 415 300	17 623 500	208 880 305	194 460 720	14 419 585
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	2 088 803	1 944 607	144 196
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	210 969 108	196 405 327	14 563 781
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	222 999 764	222 538 987	460 777
<b>Total Water Inventory (Consumed plus losses)</b>	<b>650 150 000</b>	<b>630 485 700</b>	<b>19 664 300</b>	<b>433 968 872</b>	<b>418 944 314</b>	<b>15 024 558</b>

Water Inventory - in Units (kl)						
Water Inventory	Original Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl
<b>Output</b>						
Inventory consumed - Water Billed (Authorised)	28 981 398	24 231 398	4 750 000	16 643 150	14 462 412	2 180 738
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	166 432	144 624	21 808
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	16 809 582	14 607 036	2 202 546
Loss - Water Inventory	29 820 657	29 323 657	497 000	17 496 517	17 422 165	74 352
% Loss - Water Inventory	50,2%	54,2%	9,4%	51,0%	54,4%	3,3%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>59 396 015</b>	<b>54 096 015</b>	<b>5 300 000</b>	<b>34 306 099</b>	<b>32 029 201</b>	<b>2 276 897</b>

Potable Water Inventory - in Units (kl)							
Water Inventory	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024
System Input Volume	4 380 459	4 445 271	4 162 506	4 280 083	5 064 544	5 014 460	4 681 883
System Output Volume	1 997 129	3 110 282	2 232 445	1 851 578	1 810 557	1 840 458	1 764 586
Loss - Water Inventory	2 383 330	1 334 989	1 930 061	2 428 505	3 253 987	3 174 002	2 917 297



## Water Losses per Zone:

	Jan-24				Ytd Actual As At 31 January 2024			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini,	Zone 2 (Empangeni, Ngwelezane, Zungu)	Zone 3 (Esikhaleni, Felixton, Vulendlela, Mkwanazi	Zone 4 (Richards Bay - Clarified Water)	Zone 1 (Richards Bay , Nseleni, Khoza,	Zone 2 (Empangeni, Ngwelezane, Zungu)	Zone 3 (Esikhaleni, Felixton, Vulendlela, Mkwanazi	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
<b>System Input (Purchased and Produced)</b>	<b>1 904 403</b>	<b>1 951 153</b>	<b>826 327</b>	<b>265 528</b>	<b>15 149 359</b>	<b>10 931 244</b>	<b>5 948 603</b>	<b>2 260 830</b>
Kl/Day	61 432	62 940	26 656	8 565	504 979	364 375	198 287	73 624
<b>System Out Put - Inventory Consumed</b>	<b>1 083 845</b>	<b>521 442</b>	<b>159 300</b>	<b>252 363</b>	<b>9 027 446</b>	<b>4 339 100</b>	<b>1 240 490</b>	<b>2 202 545</b>
Kl/Day	34 963	16 821	5 139	8 141	291 208	139 971	40 016	71 050
Inventory consumed - Water Billed (Authorised)	1 073 114	516 279	157 722	249 864	8 938 066	4 296 139	1 228 208	2 180 738
Inventory consumed - Water Unbilled (Authorised)	10 731	5 163	1 577	2 499	89 381	42 961	12 282	21 807
<b>Water Lossess</b>	<b>820 558</b>	<b>1 429 711</b>	<b>667 027</b>	<b>13 165</b>	<b>6 121 913</b>	<b>6 592 144</b>	<b>4 708 113</b>	<b>74 352</b>
Kl/Day	26 470	46 120	21 517	425	197 481	212 650	151 875	2 398
Water Losses:Apparent Losses:Customer Meter Inaccuracies	73 850	128 674	60 032	1 185	550 972	593 293	423 730	1 185
Water Losses:Apparent Losses:Unauthoried Consumption (Theft)	41 028	71 486	33 351	658	306 096	329 607	235 406	6 165
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	33 233	57 903	27 015	533	247 937	266 982	190 679	35 526
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	189 426	330 049	153 983	3 039	1 413 244	1 521 796	1 086 868	5 670
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	441 994	770 114	359 294	7 092	3 297 568	3 550 858	2 536 025	22 088
Water Losses:Data Transfer and Management Errors	41 028	71 486	33 351	658	306 096	329 607	235 406	3 718
<b>% Loss - Water Inventory</b>	<b>43,1%</b>	<b>73,3%</b>	<b>80,7%</b>	<b>5,0%</b>	<b>40,4%</b>	<b>60,3%</b>	<b>79,1%</b>	<b>3,3%</b>

### 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 JANUARY 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
<b>Exchange Revenue</b>				
Service Charges – Electricity revenue	2 150 331 000	1 205 870 300	1 172 074 507	97,20%
Service Charges – Water revenue	588 970 400	349 702 100	330 953 728	94,64%
Service charges - Waste Water Management	119 676 200	72 454 000	70 540 421	97,36%
Service charges - Waste management	114 791 500	80 568 900	68 523 817	85,05%
Sale of Goods and Rendering of Services	12 365 800	8 146 800	86 852 076	1066,09%
Agency services	6 364 800	3 712 800	5 014 656	135,06%
Interest earned from Receivables	29 400	17 150	-	0,00%
Interest from Current and Non Current Assets	64 500 000	37 625 000	18 315 113	48,68%
Rent on Land	849 900	558 700	1 144 696	204,89%
Rental from Fixed Assets	16 073 500	9 376 208	6 000 735	64,00%
Operational Revenue	8 624 600	5 031 017	4 309 302	85,65%
<b>Non-Exchange Revenue</b>				
Property rates	736 829 200	412 318 700	414 864 544	100,62%
Surcharges and Taxes	6 332 000	4 175 400	2 722 990	65,22%
Fines, penalties and forfeits	15 753 500	10 463 500	1 745 816	16,68%
Licence and permits	3 631 700	3 631 700	1 958 499	53,93%
Transfers and subsidies - Operational	551 826 800	417 135 300	420 729 182	100,86%
Interest	-	-	714 197	0,00%
Other Gains	26 281 900	15 331 108	15 395 923	100,42%
Gains - Water Inventory	508 218 500	296 460 792	327 623 476	110,51%
<b>TOTAL OPERATING REVENUE</b>	<b>4 931 450 700</b>	<b>2 932 579 475</b>	<b>2 949 483 679</b>	<b>100,58%</b>

The above table represents operating revenue per category as at 31 January 2024.

**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 the Department Human Settlements.

Furthermore, NCT Forestry Corporation was billed R1,2 million for fire services that was provided by the 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 JANUARY 2024		
	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)	512 428	23 959 948	(23 447 520)
Finance and Administration	1 035 106 400	217 576 000	817 530 400	602 192 419	114 660 073	487 532 346
Community and Social Services	19 041 000	152 465 000	(133 424 000)	8 795 442	81 079 714	(72 284 273)
Sport and Recreation	5 451 000	225 553 000	(220 102 000)	11 398 096	123 636 704	(112 238 608)
Public Safety	15 783 000	204 739 600	(188 956 600)	5 349 394	116 317 387	(110 967 993)
Housing	6 476 200	29 963 700	(23 487 500)	85 281 210	96 886 057	(11 604 847)
Enviromental Protection	88 600	8 546 400	(8 457 800)	43 990	3 416 907	(3 372 917)
Health	27 500	5 785 500	(5 758 000)	16 042	3 793 031	(3 776 990)
Planning and Development	14 529 300	105 936 200	(91 406 900)	4 654 785	51 451 252	(46 796 467)
Internal Audit	74 100	68 300	5 800	43 251	(1 526 439)	1 569 690
Road Transport	12 699 500	291 821 500	(279 122 000)	17 866 526	178 157 571	(160 291 045)
Air Transport and other	9 622 200	25 235 500	(15 613 300)	423 957	13 148 166	(12 724 208)
Energy sources	2 204 429 900	1 931 199 000	273 230 900	1 213 054 876	1 156 342 198	56 712 678
Water management	1 156 968 900	1 158 368 500	(1 399 600)	700 120 779	761 629 504	(61 508 725)
Waste water management	232 580 000	332 291 300	(99 711 300)	155 422 652	178 967 429	(23 544 777)
Waste management	217 638 600	208 221 400	9 417 200	144 307 834	109 799 588	34 508 246
<b>Total</b>	<b>4 931 450 700</b>	<b>4 937 023 600</b>	<b>(5 572 900)</b>	<b>2 949 483 679</b>	<b>3 011 719 090</b>	<b>(62 235 411)</b>



The table above sets out the surplus and deficit for each function. It is important to note that although the trading services namely Energy Sources, Water Management, Waste Water Management and Waste Management are expected to be profitable **only Energy Sources (Electricity) 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	209 032 696
PAYE deductions	15 517 110
Pensions / Retirement deductions	14 029 134
Trade Creditors	23 432 749
<b>Total By Customer Type</b>	<b>262 011 690</b>

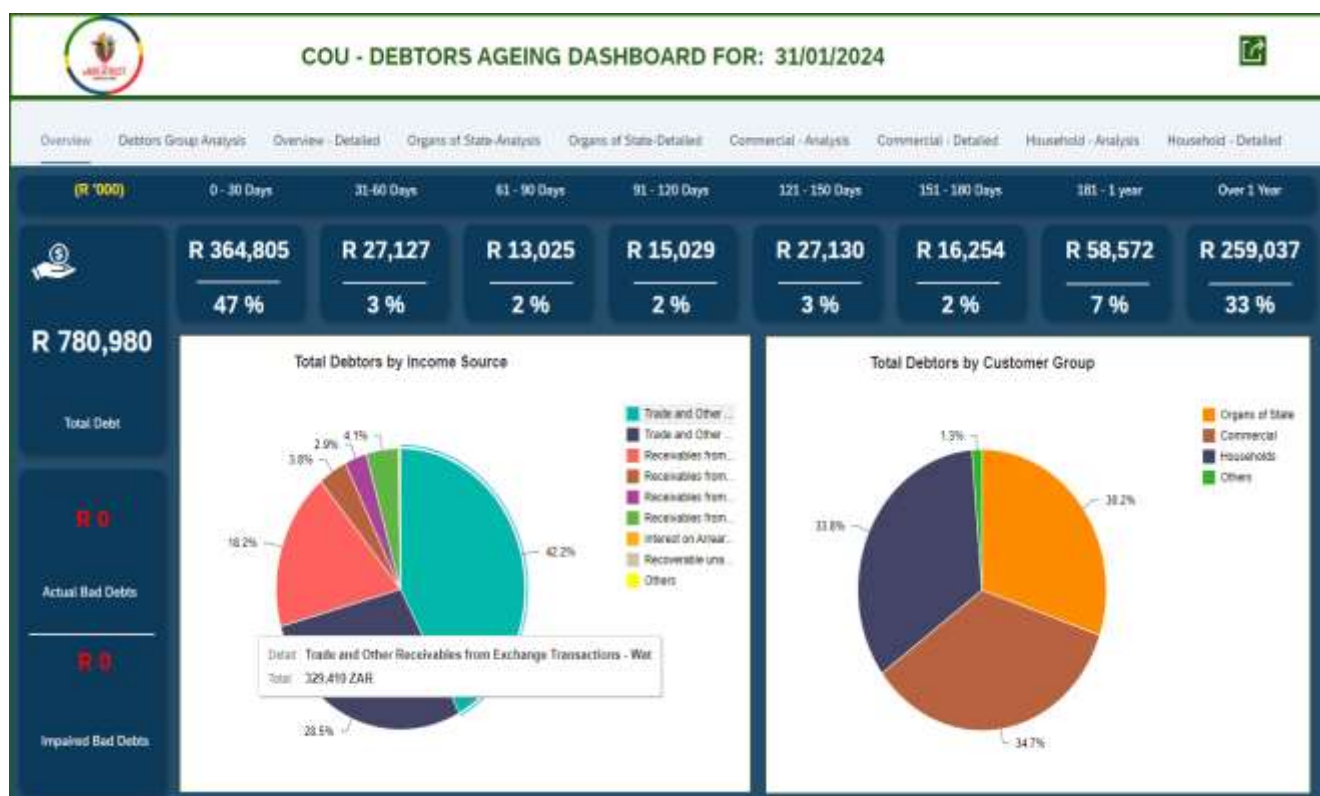


The above table represents the ageing of creditors outstanding as at 31 January 2024. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of January 2024 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 the 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	145 062 012	11 219 980	-3 514 373	83 164 967	235 932 586
Business	161 227 403	7 353 390	7 047 853	95 372 606	271 001 252
Households	57 824 455	8 088 637	8 346 288	189 504 972	263 764 351
Other	690 878	465 074	1 145 683	7 979 805	10 281 440
<b>Total</b>	<b>364 804 748</b>	<b>27 127 080</b>	<b>13 025 452</b>	<b>376 022 349</b>	<b>780 979 629</b>
<b>%</b>	<b>46,71%</b>	<b>3,47%</b>	<b>1,67%</b>	<b>48,15%</b>	



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

## Debt Collection Rate

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

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

PAYMENT RATIO					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		103%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance Jan 2024	627 499 254	
			Gross Debtors opening balance Feb 2023	906 221 038	
			Bad debts written Off Febr 2023 to Jan 2024	186 207 505	
			Billed Revenue Febr 2023 - Jan 2024	3 639 119 836	

## 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:

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

NETT DEBTORS IN DAYS					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days	30 days		49 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance Jan 2024	627 499 254	
			Bad debts Provision 2023 / 2024	142 600 000	
			Billed Revenue Febr 2023 - Jan 2024	3 639 119 836	

## 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	Business	-	-	-	-	22 377 590	22 377 590
531788	SOE	-	-	-	40	21 328 753	21 328 793
1675831	SOE	205	6 569	15 847	4 351	11 204 086	11 231 058
1610626	Business	-	-	-	-	6 106 823	6 106 823
416383	Business	81 048	81 048	243 145	-	6 058 569	6 463 811
501543	SOE	186 919	366 227	423 285	401 369	5 727 654	7 105 455
2328365	SOE	-	-	-	-	5 516 250	5 516 250
2289941	Business	1 440	-	-	-	5 046 137	5 047 577
30000543	Business	275 741	275 741	827 222	-	4 624 892	6 003 595
2273109	State	-	2 738	-	5 267	3 902 244	3 910 249
		<b>545 353</b>	<b>732 323</b>	<b>1 509 499</b>	<b>411 027</b>	<b>91 892 997</b>	<b>95 091 200</b>

## Government Debt

Government debtors shown as follows:

GOVERNMENT DEPARTMENTS						
National Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	-3 082,86	20 726	-1 021 339	41 912	5 914 987	4 953 203
Dept of Agriculture, Rural Development & Land Reform	-86 973,69	7	7	134	365 458	278 632
Department of Water Affairs and Sanitation	-	0	0	0	-498 326	-498 326
	<b>-90 057</b>	<b>20 733</b>	<b>-1 021 332</b>	<b>42 046</b>	<b>5 782 118</b>	<b>4 733 509</b>
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	5 538 702	53 924	29 638	122 188	<b>-1 478 223</b>	4 266 229
Education	949 770	272 603	302 665	309 991	<b>5 452 727</b>	7 287 756
Tvet Colleges	2 352 272	747 214	436 358	437 694	<b>2 807 846</b>	6 781 384
Human Settlement	117 455	44 238	8 804	7 504	<b>578 474</b>	756 475
Department of Transport	88 799	11 971	12 021	16 021	<b>65 285</b>	194 097
Department of Health	1 367 571	-1 618 869	5 498	12 526	<b>3 614 646</b>	3 381 371
COGTA	0					
Department of Social Welfare	165 773	95 523	51 250	0	<b>0</b>	312 546
SANRAL	0	0	0	0	<b>0</b>	0
	<b>10 580 341</b>	<b>-393 395</b>	<b>846 233</b>	<b>905 924</b>	<b>11 040 754</b>	<b>22 979 857</b>
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	12 507 837	2 956 795	-726 519	124 540	<b>-1 207 087</b>	13 655 567
ESKOM	245 258	2 298	2 465	2 187	<b>90 163</b>	342 370
Ingonyama Trust Board	795 729	402 469	397 023	424 700	<b>20 812 400</b>	22 832 321
Telkom	743 089	847	1 796	714	<b>14 199</b>	760 645
Foskor	35 013 767	21 079,67	593 437,01	1 540,00	<b>2 003 671,67</b>	37 633 496
SA Post Office	50 097	7 547	5 356	2 793	<b>39 028</b>	104 820
Richards Bay IDZ	2 906 558	0	0	0	<b>0</b>	2 906 558
Mhlathuze Water Board	4 904 868	0	0	40	<b>21 328 753</b>	26 233 660
King Cetshwayo District Municipality	13 207 271	8 219 249	6 319 445	584 955	<b>17 058 781</b>	45 389 701
	<b>70 374 474</b>	<b>11 610 284</b>	<b>6 593 003</b>	<b>1 141 469</b>	<b>60 139 909</b>	<b>149 859 138</b>

## Government Debt Comments

The main issues on Government Debt remain the lack of available budget to the relevant Government Departments. The debt owing by the 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 R300 441,72 as per **Annexure AD - DMS 1652860**.
- Councillors' debt amounts to R27 869,21 as per **Annexure AC - DMS 1652860**.

### 3.11 MFMA Circular No 71 Uniform Financial Ratios

The 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 1652860**.

## 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1652868**) 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 NUMBER	DESCRIPTION	ANNEXURE
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 1652868**) for the month ended 31 January 2024.

### 6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1652868**) for the month ended 31 January 2024.

### 7. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1652868**) for the month ended 31 January 2024.

### 8. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1652868**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1652868**) for the month ended 31 January 2024.

### 9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1652868**) for the month ended 31 January 2024.

### 10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 January 2024:

- Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1652868**).

- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1652868**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1652868**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1652868**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1652868**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1652868**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1652868**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1652868**).

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

Refer to **DMS 1653487 - Annexure AE**.

### **ENVIRONMENTAL IMPLICATIONS**

None

### **FINANCIAL IMPLICATIONS**

This has been covered in details throughout the report.

### **LEGAL IMPLICATIONS**

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

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

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

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

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

### **RECOMMENDED THAT:**

the financial position of the uMhlathuze Municipality as at 31 January 2024, 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 1652868**), be noted.