

17131

FINANCIAL REPORT AS AT 30 APRIL 2024

This report is submitted directly to the Special Executive Committee.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 April 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 April 2024 is included under **Annexures AA and AB (DMS 1670398)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF APRIL 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 April 2024, and the performance of the Municipality against its budget is in line with the Adjusted Budget that was approved by Council in 22 February 2024. 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 March 2024 (year to date actual) shows a surplus of R18 million. However, it needs to be noted that although end of April shows a surplus, the Revenue is overstated by Equitable Share received for the last three months of the year in April 2024. This amount for May 2024 to June 2024 amounts to R86 million and the sale of land to RBIDZ for the amount of R98 million. The performance in this area is **Acceptable but only in the context that the year-end projection is R163 million deficit.**

Capital Budget

Council is in the fourth quarter of the financial year and capital expenditure is at R679,3 million (83,10%). This is based on the Adjusted Budget of R817,4 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 1,68:1 (Cash in Bank against average monthly liabilities – R613 487 / R365 301). This is the best rate so far as it increased from 1,32:1 for March 2024 and hoping to do better next month. Therefore, the performance in this area is still **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 30 April 2024:

DESCRIPTION	ADJUSTED BUDGET 2023/2024	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 122 626 700	4 197 638 818	4 260 578 462	101,50%
Expenditure	5 286 027 200	4 268 177 532	4 241 588 924	99,38%
Operating Surplus/(Deficit)	(163 400 500)	(70 538 713)	18 989 538	
Less:				
Equitable Share Received in Advance	-	-	(86 810 000)	
Proceeds from Land Sales (IDZ)	-	-	(98 645 000)	
Net Operating Surplus/(Deficit)	(163 400 500)	(70 538 713)	(166 465 462)	

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

Although actual results as at 30 April 2024 shows a surplus of R18,9 million, there is a distortion to this surplus due to two major transactions.

The results as at 30 April 2024 is a deficit of R166 million. These two transactions are the following:

- Total equitable share of R520 million that is already received in full. R86,8 million of equitable share has been received in advance; and
- Proceeds from sale of land to RBIDZ for the amount of R98 million.

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 April 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.

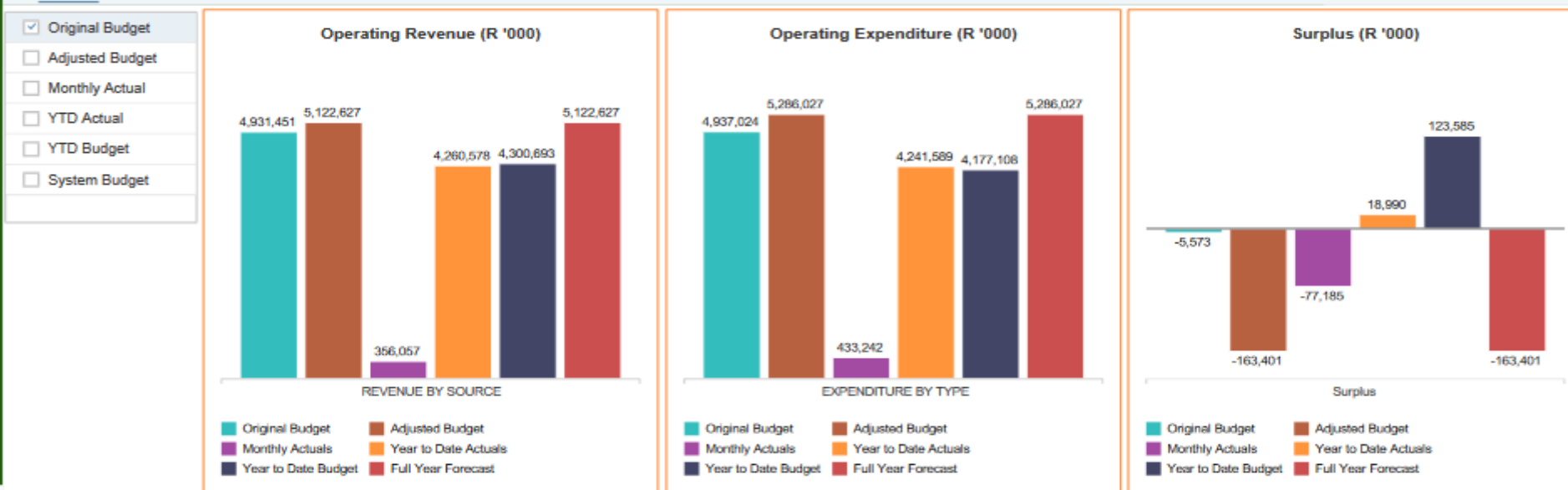


COU - FINANCIAL PERFORMANCE DASHBOARD FOR: APRIL, 2024



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
5,122,627	Adjusted Budget	5,286,027	Adjusted Budget	218,530	Adjusted Budget	-163,401	Adjusted Budget
356,057	Monthly Actual	433,242	Monthly Actual	9,022	Monthly Actual	-77,185	Monthly Actual
4,260,578	YTD Actual	4,241,589	YTD Actual	204,794	YTD Actual	18,990	YTD Actual
4,300,693	YTD Budget	4,177,108	YTD Budget	203,611	YTD Budget	123,585	YTD Budget
5,122,627	System Budget	5,286,027	System Budget	218,530	System Budget	-163,401	System Budget

Overview Revenue & Expenditure Analysis



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 1,68:1 (613 487/365 301).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2023/24 (2)	AMOUNT RECEIVED AS AT 30/04/2024	ACTUAL EXPENDITURE AS AT 30/04/2024	% EXPENDITURE TO AMOUNT RECEIVED	COMMENTS
NATIONAL TREASURY					
Equitable Share	520 860 000	520 860 000	434 050 000	83%	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	171 579 000	171 579 000	145 425 097	85%	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. An Additional allocation of 18 Million Rands has been received as per the amended DORA issued in March 2024.
Financial Management Grant	2 500 000	2 500 000	998 880	40%	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). There will be significant improvement on expenditure in the last quarter.
Water services infrastructure grant	52 000 100	52 000 100	39 997 000	77%	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. An Additional allocation of 12 Million Rands has been received as per the amended DORA issued in March 2024.
Extended Public Works Programme	2 916 000	2 916 000	2 550 426	87%	The grant is for the operational expenditure for EPWP. This grant has been reduced with an amount of R 173 000 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	13 840 000	13 840 000	6 664 472	48%	The grant is to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings. This grant has been reduced with an amount of R 160 000 as per the amended DORA issued in March 2024.
Municipal Disaster Recovery Grant	26 590 338	26 590 338	19 761 619	74%	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	5 000 000	2 866 998	57%	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.
TOTAL NATIONAL TREASURY GRANTS	795 285 438	795 285 438	652 314 491	82%	

DESCRIPTION OF GRANT		AMOUNT RECEIVED AS AT 30/04/2024	ACTUAL EXPENDITURE AS AT 30/04/2024	% EXPENDITURE TO AMOUNT RECEIVED	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	9 593 000	9 593 000	30 500 548	318%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 032 800	2 032 800	2 436 196	120%	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	18 470 110	396%	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	3 275 991	1316%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
TOTAL PROVINCIAL TREASURY GRANTS	16 303 800	16 539 725	54 682 846	331%	
				-	
TOTAL GRANTS AND SUBSIDIES	811 589 238	811 825 163	706 997 337	87%	

3.4 Capital Budget Summary

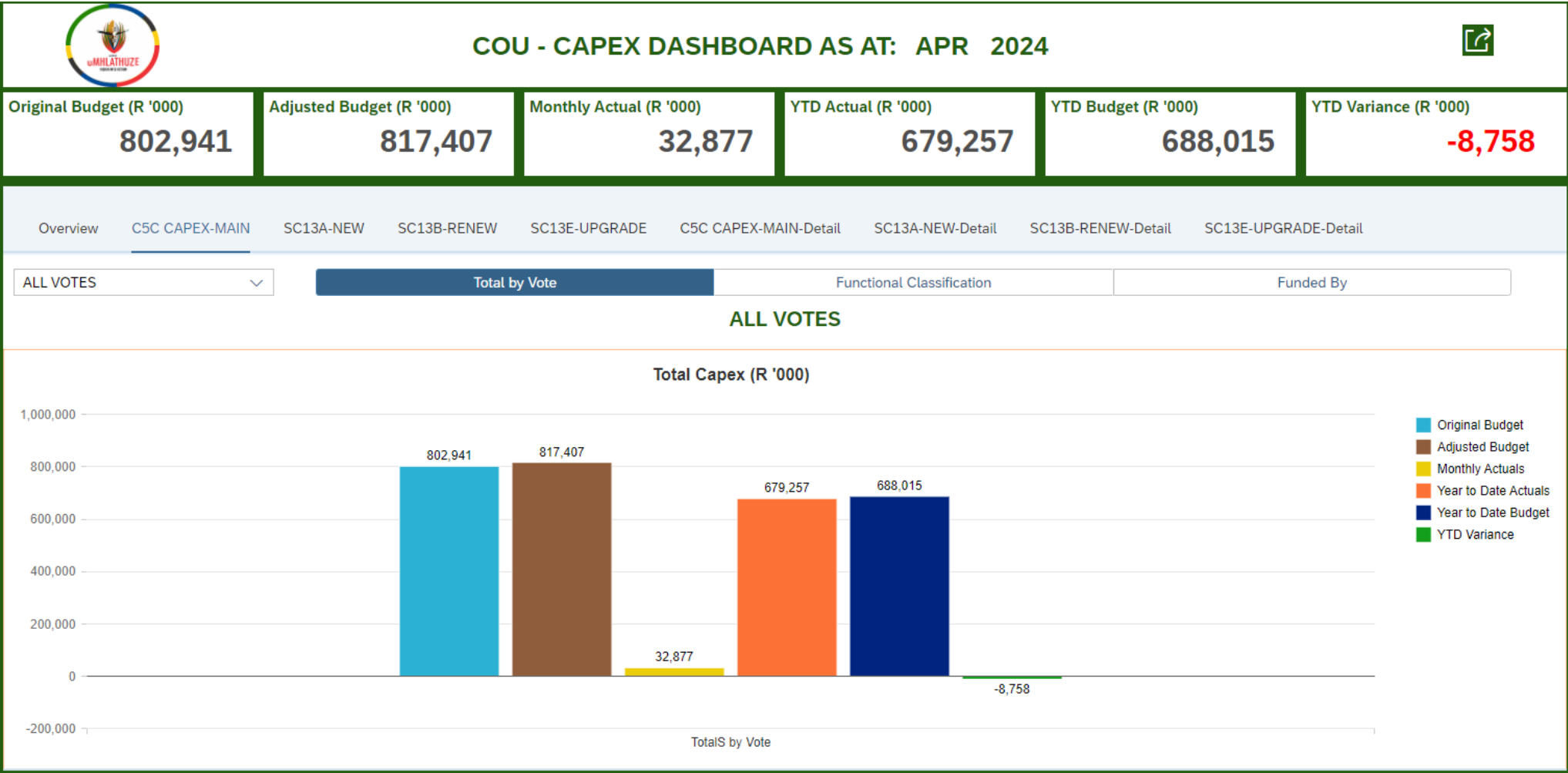
The table below represents Capital Expenditure incurred as at 30 April 2024:

FUNCTION	ADJUSTED BUDGET 2023/2024	ACTUAL APRIL 2024 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	64 434 300	18 856 129	29,26%
Community and Social Services	57 555 300	31 248 874	54,29%
Energy Sources	106 705 000	61 298 069	57,45%
Executive and Council	123 000	83 049	67,52%
Environmental Protection	4 578 800	205 370	4,49%
Air Transport - Air port	13 424 000	4 587 330	34,17%
Planning and Development	14 777 000	7 250 399	49,07%
Public Safety	1 565 000	773 008	49,39%
Road Transport	133 381 600	94 274 777	70,68%
Sport and Recreation	77 578 400	69 686 917	89,83%
Waste Management	7 530 000	1 936 068	25,71%
Waste Water Management	75 002 900	77 576 914	103,43%
Water Management	260 751 200	311 480 454	119,46%
	817 406 500	679 257 359	83,10%

Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADJUSTED BUDGET 2023/2024	ACTUAL APRIL 2024 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	418 774 900	354 350 881	84,62%
Capital Replacement Reserve	177 535 900	138 023 042	77,74%
Integrated Urban Development Grant	145 186 200	124 829 021	85,98%
Government Grants - National	71 150 500	59 860 809	84,13%
Insurance	2 565 300	-	0,00%
Public Contribution (Donation)	2 193 700	2 193 606	100,00%
TOTAL	817 406 500	679 257 359	83,10%

Capital Expenditure by Vote (Departments)



3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 April 2024:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2023/2024	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 186 691 700	972 278 698	952 943 676	98,01%
Remuneration of Councillors	35 509 700	27 397 739	25 509 474	93,11%
Bulk Purchases - Electricity	1 627 634 200	1 236 036 328	1 254 717 264	101,51%
Inventory consumed - Water	306 540 400	273 584 000	278 253 034	101,71%
Inventory consumed - Materials	188 177 000	140 985 600	136 676 465	96,94%
Debt Impairment	238 596 600	198 830 500	156 386 253	78,65%
Depreciation and asset impairment	320 159 500	266 799 583	258 013 772	96,71%
Finance Charges	158 678 000	132 231 667	128 370 038	97,08%
Contracted Services	493 057 300	410 881 083	423 833 292	103,15%
Transfers and Subsidies	9 959 300	8 299 417	5 384 260	64,88%
Irrecoverable debts written off	-	-	15 033 425	0,00%
Operational costs	377 359 300	314 466 084	270 053 058	85,88%
Loss on Disposal of Land	-	-	7 520 221	0,00%
Losses - Water Inventory (note 1)	343 664 200	286 386 833	328 894 691	114,84%
TOTAL	5 286 027 200	4 268 177 532	4 241 588 924	99,38%

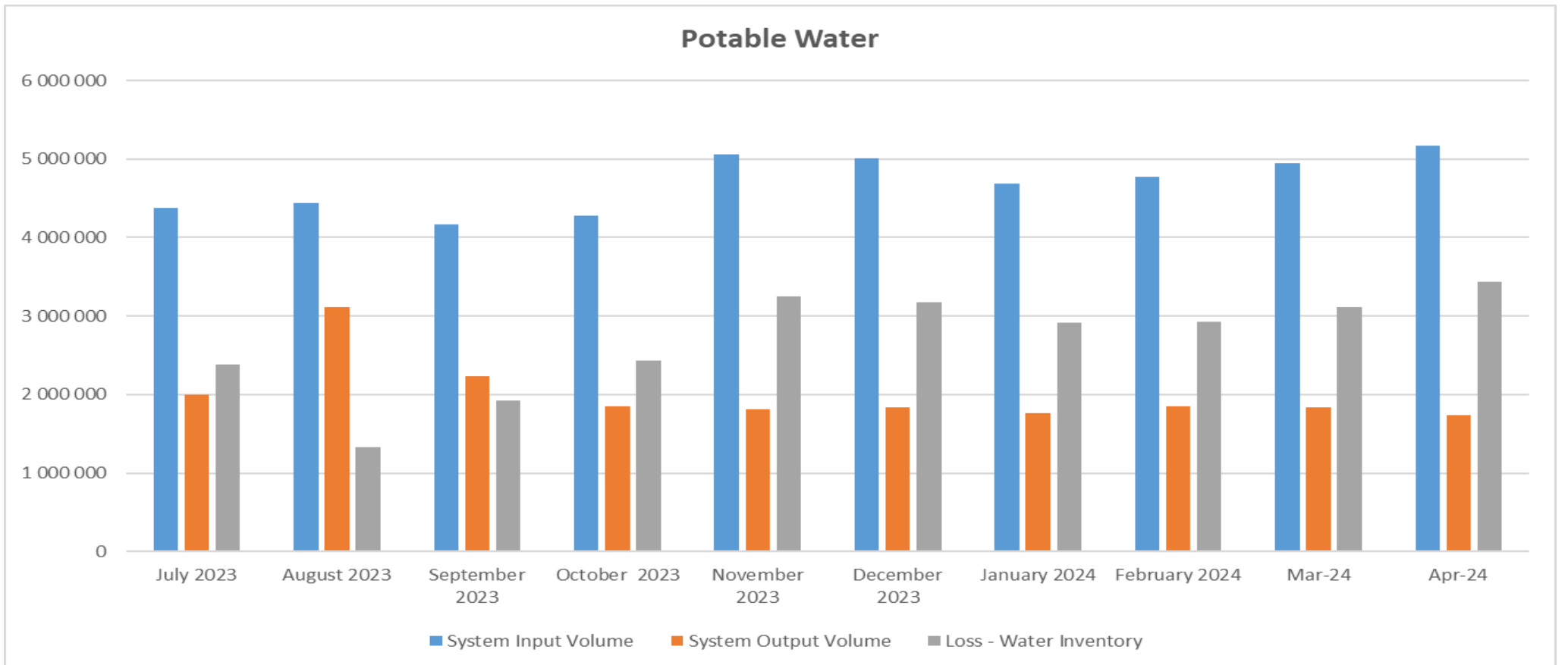
Note 1 and 2 above:

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	Adjusted 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	275 498 053	255 186 476	20 311 577
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	2 754 981	2 551 865	203 116
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	278 253 034	257 738 341	20 514 693
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	328 386 991	327 926 214	460 777
Total Water Inventory (Consumed plus losses)	650 150 000	630 485 700	19 664 300	606 640 025	585 664 555	20 975 470

Water Inventory - in Units (kl)						
Water Inventory	Adjusted Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl
Output						
Inventory consumed - Water Billed (Authorised)	28 981 398	24 231 398	4 750 000	22 791 066	19 877 559	2 913 507
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	227 911	198 775	29 135
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	23 018 977	20 076 335	2 942 642
Loss - Water Inventory	29 820 657	29 323 657	497 000	26 914 209	26 839 858	74 352
% Loss - Water Inventory	50,2%	54,2%	9,4%	53,9%	57,2%	2,5%
Total Water Inventory (Consumed plus losses)	59 396 015	54 096 015	5 300 000	49 933 186	46 916 192	3 016 994

Potable Water Inventory - in Units (kl)										
Water Inventory	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	Mar-24	Apr-24
System Input Volume	4 380 459	4 445 271	4 162 506	4 280 083	5 064 544	5 014 460	4 681 883	4 775 757	4 944 566	5 166 668
System Output Volume	1 997 129	3 110 282	2 232 445	1 851 578	1 810 557	1 840 458	1 764 586	1 845 747	1 836 434	1 732 966
Loss - Water Inventory	2 383 330	1 334 989	1 930 061	2 428 505	3 253 987	3 174 002	2 917 297	2 930 010	3 108 132	3 433 702



Water Losses per Zone:

	Apr-24				Ytd Actual As At 30 April 2024			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Zu ngu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Z ungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
System Input (Purchased and Produced)	1 925 777	2 318 776	922 115	243 667	20 978 984	16 597 858	9 339 355	2 993 599
Kl/Day	64 193	77 293	30 737	8 122	699 299	553 262	311 312	99 787
System Out Put - Inventory Consumed	1 000 409	588 699	161 187	246 104	12 259 082	6 106 943	1 710 310	2 942 642
Kl/Day	33 347	19 623	5 373	8 203	408 636	203 565	57 010	98 088
Inventory consumed - Water Billed (Authorised)	990 504	582 870	159 591	243 667	12 137 705	6 046 478	1 693 376	2 913 507
Inventory consumed - Water Unbilled (Authorised)	9 905	5 829	1 596	2 437	121 377	60 465	16 934	29 135
Water Lossess	925 368	1 730 077	760 928	-	8 719 902	10 490 915	7 629 045	74 352
Kl/Day	30 846	57 669	25 364	-	289 806	347 246	254 497	2 464
Water Losses:Apparent Losses:Customer Meter Inaccuracies	83 283	155 707	68 483	-	784 791	944 182	686 614	1 185
Water Losses:Apparent Losses:Unauthorized Consumption (Theft)	46 268	86 504	38 046	-	435 995	524 546	381 452	6 165
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	37 477	70 068	30 818	-	353 156	424 882	308 976	35 526
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	213 621	399 388	175 660	-	2 012 989	2 421 828	1 761 165	5 670
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	498 449	931 906	409 874	-	4 696 975	5 650 932	4 109 385	22 088
Water Losses:Data Transfer and Management Errors	46 268	86 504	38 046	-	435 995	524 546	381 452	3 718
% Loss - Water Inventory	48,1%	74,6%	82,5%	0,0%	41,6%	63,2%	81,7%	2,5%
Total Water Inventory (Consumed plus losses)	1 925 777	2 318 776	922 115	246 104	20 978 984	16 597 858	9 339 355	3 016 994

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2023/2024	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 290 831 000	1 847 559 630	1 706 782 410	92,38%
Service Charges – Water revenue	585 000 000	478 740 747	466 632 927	97,47%
Service charges - Waste Water Management	120 256 200	100 786 821	100 779 738	99,99%
Service charges - Waste management	114 668 500	95 557 083	97 774 002	102,32%
Sale of Goods and Rendering of Services	94 780 800	78 984 000	110 864 407	140,36%
Agency services	8 364 800	6 970 667	7 463 718	107,07%
Interest earned from Receivables	29 400	24 500	-	0,00%
Interest from Current and Non Current Assets	40 000 000	34 440 113	26 734 367	77,63%
Rent on Land	1 949 900	1 593 193	1 583 419	99,39%
Rental from Fixed Assets	15 018 500	12 515 417	11 868 734	94,83%
Operational Revenue	11 130 600	9 275 500	12 063 739	130,06%
Non-Exchange Revenue				
Property rates	713 966 800	597 865 799	571 499 821	95,59%
Surcharges and Taxes	6 332 000	5 276 667	8 494 854	160,99%
Fines, penalties and forfeits	12 283 500	10 236 250	2 589 004	25,29%
Licence and permits	3 631 700	3 026 417	2 921 061	96,52%
Transfers and subsidies - Operational	568 972 600	468 610 682	553 926 061	118,21%
Interest	870 000	725 000	1 054 872	145,50%
Other Gains	26 321 900	21 934 917	21 979 472	100,20%
Gains on sale of Land	-	-	98 645 000	
Gains - Water Inventory	508 218 500	423 515 417	456 920 855	107,89%
TOTAL OPERATING REVENUE	5 122 626 700	4 197 638 818	4 260 578 462	101,50%
LESS: EQUITABLE SHARE RECEIVED IN ADVANCED				
Equitable Share Received in Advance	-	-	(86 810 000)	0,00%
Proceeds from Land Sales (IDZ)	-	-	(98 645 000)	0,00%
TOTAL REVENUE	5 122 626 700	4 197 638 818	4 075 123 462	97,08%

The above table represents operating revenue per category as at 30 April 2024.

3.7 Surplus and Deficit by Function

FUNCTION	ADJUSTED BUDGET 2023/2024			ACTUAL AS AT 30 APRIL 2024		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	894 700	43 952 200	(43 057 500)	759 310	26 103 222	(25 343 913)
Finance and Administration	988 848 800	200 225 300	788 623 500	826 380 063	180 291 754	646 088 309
Internal Audit	74 200	(382 700)	456 900	61 776	(1 507 388)	1 569 163
Community and Social Services	17 807 100	147 449 200	(129 642 100)	15 120 591	118 442 630	(103 322 039)
Sport and Recreation	11 601 000	221 295 900	(209 694 900)	12 015 501	166 264 132	(154 248 630)
Public Safety	16 109 100	239 488 500	(223 379 400)	7 041 346	166 033 893	(158 992 547)
Housing	89 737 300	113 577 500	(23 840 200)	107 146 536	125 702 709	(18 556 174)
Health	27 500	6 508 200	(6 480 700)	22 917	5 326 324	(5 303 407)
Planning and Development	15 718 600	93 258 500	(77 539 900)	105 356 671	71 788 745	33 567 926
Road Transport	28 934 600	313 987 800	(285 053 200)	22 132 891	242 039 395	(219 906 504)
Environmental Protection	88 700	7 618 800	(7 530 100)	62 835	4 813 341	(4 750 506)
Air Transport and other	3 682 200	28 236 500	(24 554 300)	1 738 957	21 556 327	(19 817 370)
Energy sources	2 345 528 300	2 137 372 500	208 155 800	1 765 759 477	1 622 738 039	143 021 438
Water management	1 151 498 600	1 191 438 900	(39 940 300)	982 025 123	1 063 698 729	(81 673 606)
Waste water management	234 660 300	328 593 500	(93 933 200)	215 986 400	270 639 836	(54 653 436)
Waste management	217 415 700	213 406 600	4 009 100	198 968 068	157 657 234	41 310 835
Total	5 122 626 700	5 286 027 200	(163 400 500)	4 260 578 462	4 241 588 924	18 989 538

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 **Water Management and Waste Water Management are making a deficit of R81,6 million and R54,6 million respectively.** The deficit is as a result of huge water losses of 55% of portable water (see note 1 and 2 under table 3.5 above). Repairs and maintenance is also contributing through emergency breakdowns that are attended to without due diligence on the scope of work done (cost containment measures require that any breakdown work of more than R500 000 must be verified by independent consultant before payment).

3.8 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days
	R
Bulk Electricity	128 535 923
PAYE deductions	14 854 027
Pensions / Retirement deductions	13 820 500
Trade Creditors	22 500 131
Other	69 585
Total By Customer Type	179 780 165



The above table represents the ageing of creditors outstanding as at 30 April 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 April 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	142 950 777	9 651 366	8 433 979	84 556 746	245 592 868
Business	193 879 152	8 863 029	7 033 258	93 615 555	303 390 995
Households	64 376 442	6 498 582	11 319 064	207 909 888	290 103 975
Other	1 261 350	386 152	514 608	9 705 158	11 867 268
Total	402 467 721	25 399 129	27 300 909	395 787 347	850 955 106
%	47,30%	2,98%	3,21%	46,51%	

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	95%		97%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance April 2024	828 801 904	
			Gross Debtors opening balance May 2023	897 074 157	
			Bad debts written Off May 2023 to April 2024	186 207 505	
			Billed Revenue May 2023 - April 2024	3 711 525 037	

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	((Gross Debtors - Bad Debt Provision) / Billed Revenue) x 365	30 days		55 days	Please refer to page 6 of MFMA Circular No. 71
				Gross Debtors closing balance April 2024	828 801 904	
				Bad debts Provision 2023 / 2024	274 153 400	
				Billed Revenue May 2023 - April 2024	3 711 525 037	

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
1088329	STATE OWNED ENTITIES	14 740 177	7 377 876	5 960 601	-	-	28 078 655
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 590	22 377 590
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 793	21 328 793
41840	STATE OWNED ENTITIES	19 381 184	700	-	-	-	19 381 884
529098	PRIVATE BUSINESS	13 927 520	-	-	-	-	13 927 520
1675831	STATE OWNED ENTITIES	-	-	21 964	-	11 197 639	11 219 603
962216	PRIVATE BUSINESS	7 505 426	-	-	-	-	7 505 426
41857	STATE OWNED ENTITIES	7 355 441	3 790	-	-	-	7 359 231
1153881	PRIVATE BUSINESS	166 236	5 813 181	32 808	32 808	1 230 693	7 275 726
501543	STATE OWNED ENTITIES	337 690	-	521 990	-	6 365 389	7 225 069
		63 413 674	13 195 547	6 537 363	32 808	62 500 104	145 679 497

Government Debt

Government debtors shown as follows:

Government Departments - Summary of ALL Debt							
Government Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	2 599 753	658 749	134 222	83 763	34 204	1 014 929	4 525 621
Provincial	7 780 286	2 518 112	603 816	1 071 776	102 556	17 475 541	29 552 086
Government accounts in Dispute	5 851	5 851	5 851	5 851	5 851	521 718	550 975
National Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	2 589 960	658 591	130 638	80 904	76 323	678 036	4 214 452
Dept of Agriculture and Rural Development & land Reform	9 793	158	3 584	2 859	-42 119	365 606	339 881
Department of Water Affairs and Sanitation	-	-	-	-	-	-28 712	-28 712
	2 599 753	658 749	134 222	83 763	34 204	1 014 929	4 525 621
Provincial Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	22 032	21 343	21 043	21 479	-24 280	4 819 086	4 880 703
Education	1 700 624	196 585	89 699	311 130	106 855	5 826 249	8 231 143
Tvet Colleges	2 176 659	927 609	463 258	680 517	3 030	2 511 696	6 762 768
Human Settlement	61 036	34 214	16 561	5 257	4 423	593 025	714 516
Department of Transport	175 841	160 387	13 621	12 684	12 528	77 061	452 122
Department of Health	3 506 610	1 100 352	-367	-1 993		3 648 424	8 253 026
COGTA							
Department of Social Welfare	137 484	77 622	-	42 702	-	-	257 809
SANRAL	-	-	-	-	-	-0	-0
	7 780 286	2 518 112	603 816	1 071 776	102 556	17 475 541	29 552 086
Other Organs of State	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	3 199 948	4 430 734	448 829	49 469	13 100	-1 593 086	6 548 994
ESKOM	197 766	57 980	3 999	2 298	2 323	94 341	358 707
Ingonyama Trust Board	399 849	399 849	399 849	399 849	395 880	22 036 592	24 031 869
Telkom	815 573	728	852	824	852	17 560	836 389
Foskor	1 000 406	28 711 125	7 527	-	-	-	29 719 058
SA Post Office	28 605	2 765	1 351	1 328	1 355	43 880	79 285
Richards Bay IDZ	3 380 237	-	-	-	-	-	3 380 237
Mhlathuze Water Board	4 590 547	232 530	-	-	-	21 328 793	26 151 869
King Cetshwayo District Municipality	7 759 753	7 864 193	7 991 717	6 765 696	580 437	17 476 273	48 438 069
	21 372 684	41 699 904	8 854 124	7 219 464	993 947	59 404 353	139 544 476
Grand Total	31 758 575	44 882 617	9 598 012	8 380 854	1 136 559	78 416 541	174 173 157

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 R270 720,42 as per **Annexure AD - DMS 1670398**.
- Councillors' debt amounts to R20 649,43 as per **Annexure AC - DMS 1670398**.

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 1670398**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1670404**) 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 NUMBER	DESCRIPTION	ANNEXURE
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 1670404**) for the month ended 30 April 2024.

6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1670404**) for the month ended 30 April 2024.

7. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1670404**) for the month ended 30 April 2024.

8. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1670404**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1670404**) for the month ended 30 April 2024.

9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1670404**) for the month ended 30 April 2024.

10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 30 April 2024:

- Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1670404**).

- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1670404**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1670404**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1670404**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1670404**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1670404**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1670404**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1670404**).

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1670973 - 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 30 April 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 1670404**), be noted.