

**ITEM 524**  
**FINANCIAL REPORT AS AT 31 OCTOBER 2024**

*This report served before the Financial Services Portfolio Committee on 20 November 2024. The report was noted.*

**PURPOSE**

To submit for noting the financial position of the uMhlathuze Municipality as at 31 October 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 October 2024 is included under **Annexures AA and AB (DMS 1708534)**.

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### **PART 1 - IN-YEAR REPORTING**

#### **1. MAYOR'S REPORT FOR THE MONTH OF OCTOBER 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 October 2024, and the performance of the Municipality against its budget in line with the Adopted Budget approved by Council on 23 May 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 October 2024 (year to date actual) shows a deficit of R39,1 million. However, this figure is distorted by the fact that Equitable Share amounting to 33% of years' allocation is received in advance. Therefore, in terms of proportional allocation the Municipality is sitting with a deficit of R85,5 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 at R183,7 million (30,06%). This is based on the Adopted Budget of R611 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 0.86:1 (Working Capital Cash in Bank against average monthly liabilities – R322 990/R376 367). 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 2024:

DESCRIPTION	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 599 451 800	1 945 674 833	1 917 271 799	98,54%
Expenditure	5 589 918 300	1 942 177 767	1 956 430 550	100,73%
<b>Operating Surplus/(Deficit)</b>	<b>9 533 500</b>	<b>3 497 067</b>	<b>(39 158 751)</b>	
<b>Less:</b>				
Equitable Share Received in Advance	-	-	(46 354 000)	
<b>Net Operating Surplus/(Deficit)</b>	<b>9 533 500</b>	<b>3 497 067</b>	<b>(85 512 751)</b>	

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 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: OCTOBER, 2024



### Operating Revenue (R '000)

5,599,452	Original Budget
0	Adjusted Budget
370,333	Monthly Actual
1,917,272	YTD Actual
2,004,296	YTD Budget
5,599,452	System Budget

### Operating Expenditure (R '000)

5,589,918	Original Budget
0	Adjusted Budget
454,527	Monthly Actual
1,956,431	YTD Actual
1,665,812	YTD Budget
5,589,918	System Budget

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

219,003	Original Budget
0	Adjusted Budget
14,168	Monthly Actual
105,185	YTD Actual
100,122	YTD Budget
219,003	System Budget

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

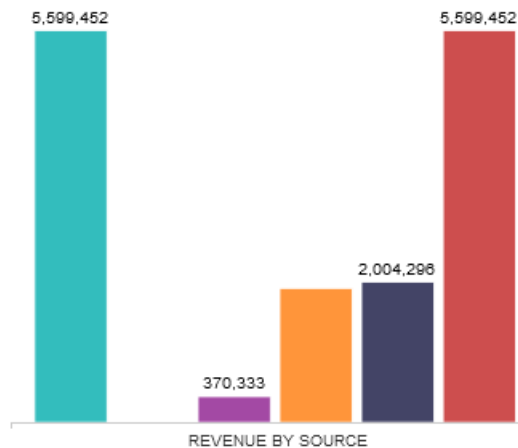
9,534	Original Budget
0	Adjusted Budget
-84,194	Monthly Actual
-39,159	YTD Actual
338,485	YTD Budget
9,534	System Budget

Overview

Revenue & Expenditure Analysis

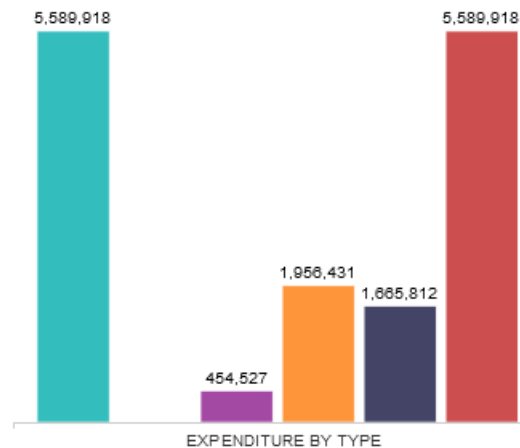
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

#### Operating Revenue (R '000)



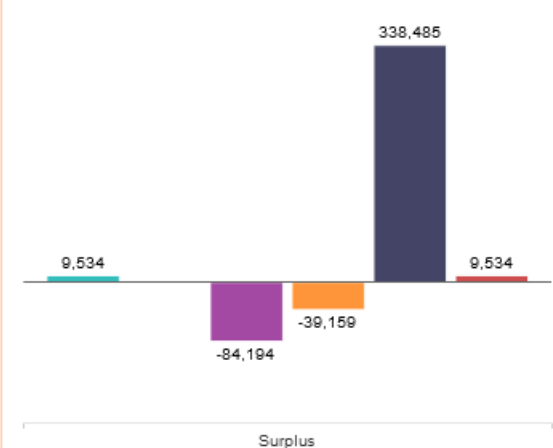
Original Budget  
Adjusted Budget  
Monthly Actuals  
Year to Date Actuals  
Year to Date Budget  
Full Year Forecast

#### 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

NOTES:

OFFICIAL FINAL VERSION

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### 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 0.86:1 (322 990/376 367).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2024	ADOPTED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 31/10/2024	ACTUAL EXPENDITURE AS AT 31/10/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>NATIONAL TREASURY</b>							
Equitable Share	231 771 000	556 251 000	231 771 000	185 417 000	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.
Intergrated Urban Development Grant-IUDG	75 749 000	151 498 000	75 749 000	66 036 470	87%	44%	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	372 374	15%	15%	The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement Finance Management Act (MFMA).
Water services infrastructure grant	20 600 000	60 000 000	38 600 000	35 571 001	92%	59%	To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.
Extended Public Works Pogramme		2 674 000	668 000	431 919	65%	16%	The grant is for the operational expenditure for EPWP.Expenditure shown has been incurred in the period under review,
Integrated National Electrification Programme Grant	3 940 000	9 850 000	3 940 000		0%	0%	The department could not spend in the first quarter due to scope change control that had to be done and submitted to DMRE.The advert to appoint service providers is closing on the 10th of October 2024.
Energy Efficiency and Demand Management		5 500 000	1 500 000	102 744	7%	2%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. No capital expenditure has been incurred in the period under review.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>332 060 000</b>	<b>788 273 000</b>	<b>354 728 000</b>	<b>287 931 508</b>	<b>81%</b>	<b>37%</b>	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2024	ADOPTED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 31/10/2024	ACTUAL EXPENDITURE AS AT 31/10/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>PROVINCIAL TREASURY</b>							
Provincialisation of Libraries	-	10 016 000	10 016 000	12 435 474	124%	124%	Expenditure shown is the total actual operating costs of the Libraries for the period under review. The MOA has been signed and submitted to KZN DSAC.
Community Library Services Grant (Cyber cadets)	-	2 124 000	2 124 000	713 309	34%	34%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review. The MOA has been signed and submitted to KZN DSAC.
Housing Operating Account	-	4 429 000	1 778 770	7 729 058	435%	175%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	-	260 000	-	1 165 558	0%	448%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>-</b>	<b>16 829 000</b>	<b>13 918 770</b>	<b>22 043 400</b>	<b>158%</b>	<b>131%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>332 060 000</b>	<b>805 102 000</b>	<b>368 646 770</b>	<b>309 974 908</b>	<b>84%</b>	<b>39%</b>	

### 3.4 Capital Budget Summary

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

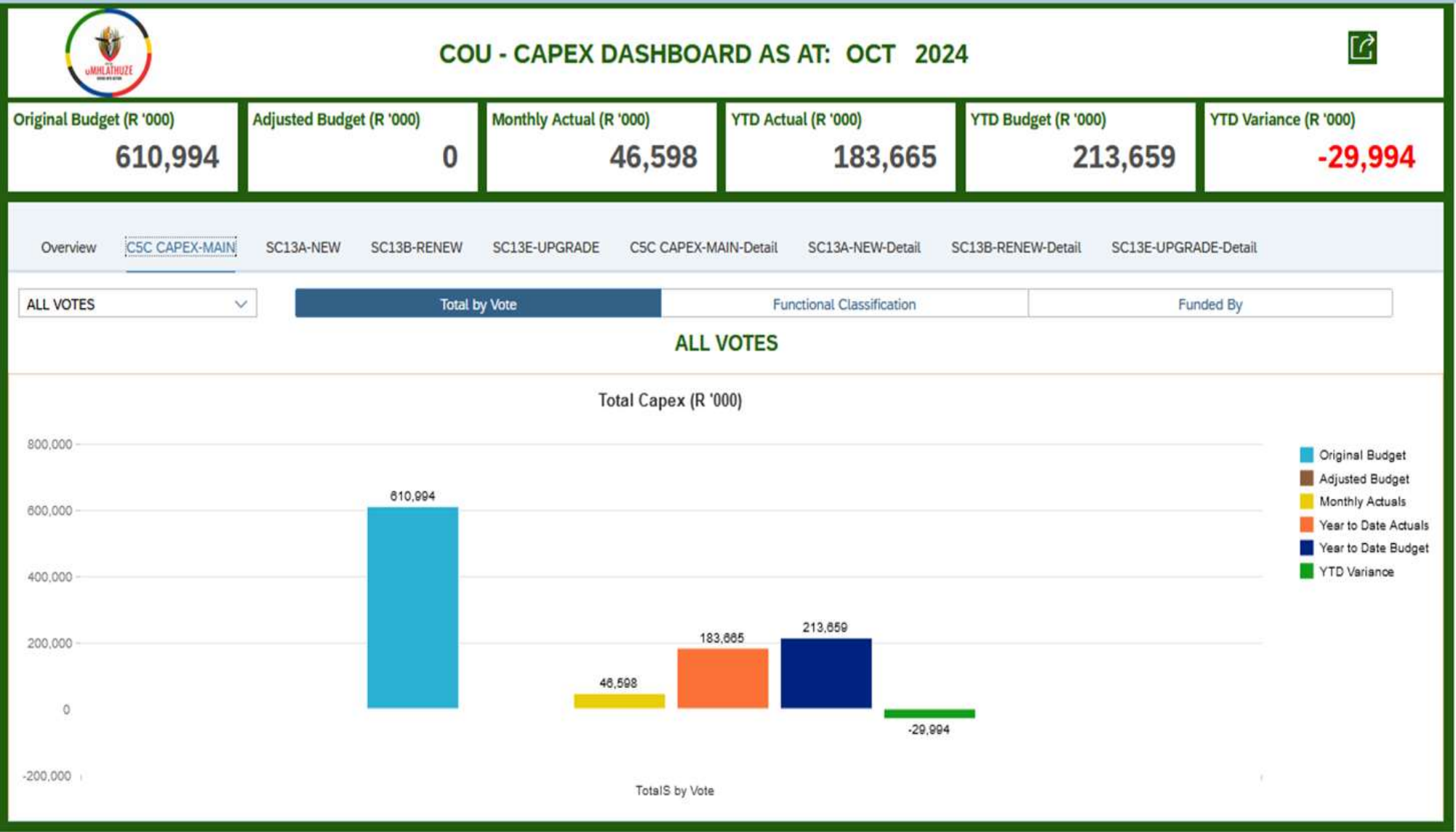
FUNCTION	ADOPTED BUDGET 2024/2025	ACTUAL OCTOBER 2024 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Executive and Council	36 000	9 800	27,22%
Finance and Administration	58 751 000	4 096 592	6,97%
Community and Social Services	9 249 000	252 783	2,73%
Sport and Recreation	19 361 000	11 787 165	60,88%
Public Safety	675 000	-	0,00%
Housing	3 198 000	-	0,00%
Planning and Development	35 175 000	3 425 727	9,74%
Road Transport	69 023 000	33 820 569	49,00%
Environmental Protection	78 000	-	0,00%
Air Transport - Air port	12 399 000	5 216 437	42,07%
Energy Sources	76 690 300	2 210 146	2,88%
Water Management	246 308 700	87 019 318	35,33%
Waste Water Management	64 815 000	35 826 117	55,27%
Waste Management	15 235 000	-	0,00%
	<b>610 994 000</b>	<b>183 664 653</b>	<b>30,06%</b>

#### Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADOPTED BUDGET 2024/2025	ACTUAL OCTOBER 2024 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Borrowing	380 000 000	88 358 883	23,25%
Capital Replacement Reserve	11 991 000	563 125	4,70%
Integrated Urban Development Grant	143 923 000	59 119 348	41,08%
Government Grants - National	74 580 000	35 623 298	47,77%
Government Grants - Provincial	500 000	-	0,00%
<b>TOTAL</b>	<b>610 994 000</b>	<b>183 664 653</b>	<b>30,06%</b>



Capital Expenditure by Vote (Departments)



### 3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 257 067 700	419 022 567	373 174 651	89,06%
Remuneration of Councillors	35 202 700	11 734 233	10 514 713	89,61%
Bulk Purchases - Electricity	1 802 030 900	680 335 300	685 814 445	100,81%
Inventory consumed - Water	325 340 000	107 661 100	98 103 447	91,12%
Inventory consumed - Materials	167 493 600	55 831 200	62 543 440	112,02%
Debt Impairment	274 732 500	91 576 400	76 544 087	83,58%
Depreciation and asset impairment	305 949 500	101 983 167	117 433 596	115,15%
Finance Charges	178 823 500	59 607 833	62 720 554	105,22%
Contracted Services	475 795 300	158 598 433	171 641 337	108,22%
Transfers and Subsidies	7 582 000	2 527 333	240 392	9,51%
Irrecoverable debts written off	-	-	3 529 663	0,00%
Operational costs	389 896 200	129 965 400	122 293 447	94,10%
Losses - Water Inventory (note 1)	370 004 400	123 334 800	171 876 778	139,36%
<b>TOTAL</b>	<b>5 589 918 300</b>	<b>1 942 177 767</b>	<b>1 956 430 550</b>	<b>100,73%</b>

## WATER LOSS OR NON REVENUE WATER BROKEN DOWN

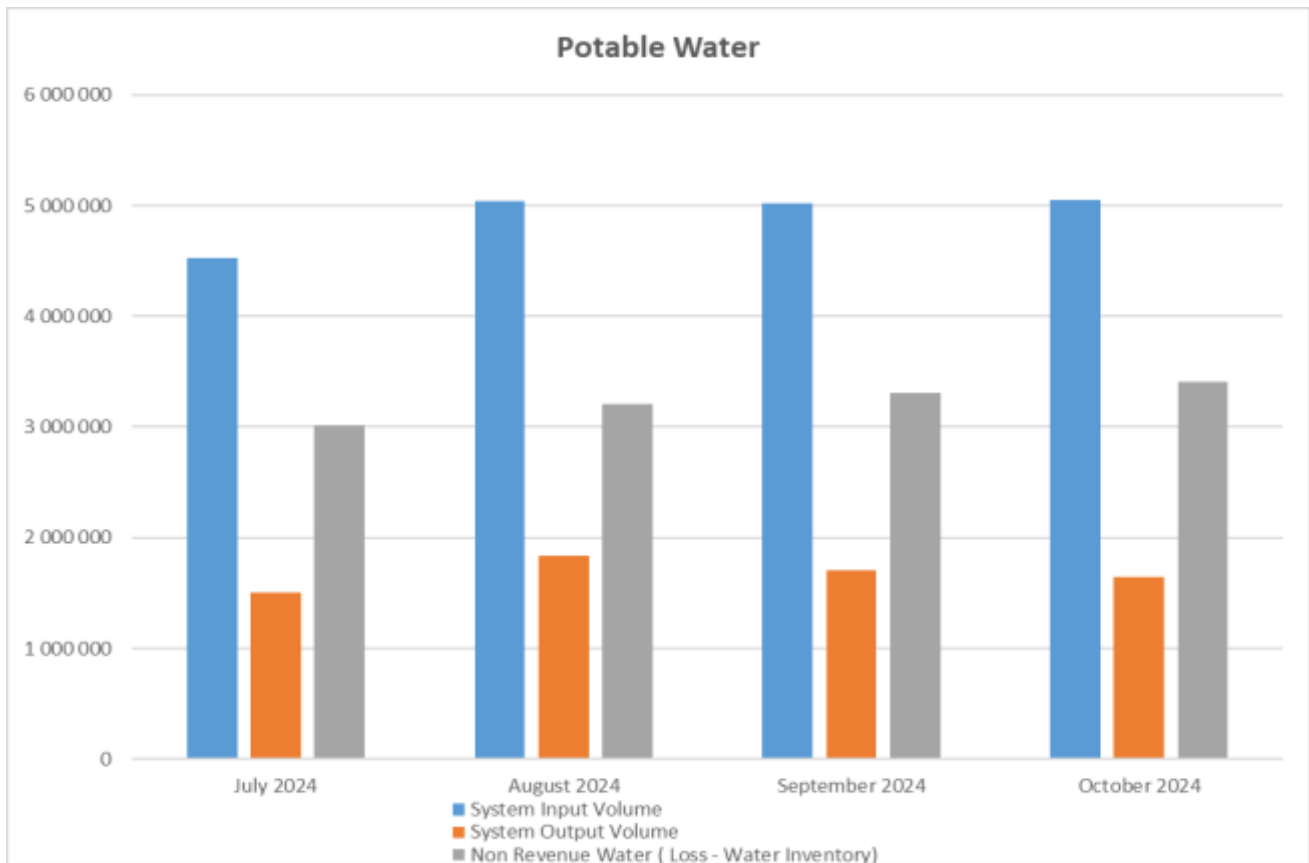
In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. In financial terms water is referred to as water inventory. This model is derived from the Internal Water Associations Water Balance Model adopted by the Department of Water and Sanitation (DWS) and the National Treasury. It ensures that this very scarce resource is accounted for both in kilolitres and in rands.

### NON REVENUE WATER (WATER LOSS) PER CATEGORY:

Water Inventory - in Rands						
Water Inventory	Adopted 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)	318 387 100	298 002 400	20 384 700	97 132 127	89 349 243	7 782 884
Inventory consumed - Water Unbilled (Authorised)	6 952 900	6 725 400	227 500	971 321	893 492	77 829
Total - Inventory consumed - Water	325 340 000	304 727 800	20 612 200	98 103 448	90 242 735	7 860 713
Non Revenue Water ( Loss - Water Inventory)	369 949 800	367 816 800	2 133 000	171 823 240	170 753 875	1 069 364
<b>Total Water Inventory (Consumed plus losses)</b>	<b>695 289 800</b>	<b>672 544 600</b>	<b>22 745 200</b>	<b>269 926 688</b>	<b>260 996 610</b>	<b>8 930 077</b>

Water Inventory - in Units (kl)						
Water Inventory	Adopted 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)	29 777 318	25 027 318	4 750 000	7 703 209	6 696 701	1 006 508
Inventory consumed - Water Unbilled (Authorised)	617 827	564 827	53 000	77 032	66 967	10 065
Total - Inventory consumed - Water	30 395 145	25 592 145	4 803 000	7 780 241	6 763 668	1 016 573
Non Revenue Water ( Loss - Water Inventory)	31 387 591	30 890 591	497 000	13 036 460	12 873 485	162 975
Non Revenue Water (% Loss - Water Inventory)	50,8%	54,7%	9,4%	62,6%	65,6%	13,8%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>61 782 736</b>	<b>56 482 736</b>	<b>5 300 000</b>	<b>20 816 701</b>	<b>19 637 153</b>	<b>1 179 548</b>

Potable Water Inventory - in Units (kl)				
Water Inventory	July 2024	August 2024	September 2024	October 2024
System Input Volume	4 522 239	5 044 436	5 016 592	5 053 885
System Output Volume	1 504 562	1 840 172	1 707 798	1 644 168
Non Revenue Water ( Loss - Water Inventory)	3 017 677	3 204 264	3 308 794	3 409 717



**NON REVENUE WATER (WATER LOSS PER WATER SUPPLY ZONE):**

	Oct-24				Ytd Actual As At 31 October 2024			
	Zone 1 (Richards Bay , Nseleni, Khoza, KL	Zone 2 (Empangeni, i, Ngwelezane ,Zungu) KL	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi KL	Zone 4 (Richards Bay - Clarified Water) KL	Zone 1 (Richards Bay , Nseleni, Khoza, KL	Zone 2 (Empangeni, Ngwelezane,Z ungu) KL	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi KL	Zone 4 (Richards Bay - Clarified Water) KL
<b>System Input (Purchased and Produced)</b>	<b>1 941 927</b>	<b>2 115 594</b>	<b>996 364</b>	<b>223 774</b>	<b>7 374 936</b>	<b>8 429 280</b>	<b>3 832 936</b>	<b>1 179 548</b>
Kl/Day	62 643	68 245	32 141	7 219	239 903	274 292	124 656	38 473
<b>System Out Put - Inventory Consumed</b>	<b>932 775</b>	<b>522 890</b>	<b>204 944</b>	<b>223 774</b>	<b>3 971 334</b>	<b>2 091 474</b>	<b>700 860</b>	<b>1 016 573</b>
Kl/Day	30 090	16 867	6 611	7 219	129 238	68 036	22 764	33 196
Inventory consumed - Water Billed (Authorised)	923 540	517 713	202 915	221 558	3 932 014	2 070 766	693 921	1 006 508
Inventory consumed - Water Unbilled (Authorised)	9 235	5 177	2 029	2 216	39 320	20 708	6 939	10 065
<b>Non Revenue Water (Water Loss)</b>	<b>1 009 152</b>	<b>1 592 704</b>	<b>791 420</b>	<b>-</b>	<b>3 403 602</b>	<b>6 337 806</b>	<b>3 132 076</b>	<b>162 975</b>
Kl/Day	32 553	51 378	25 530	-	110 664	206 256	101 892	5 277
Water Losses:Apparent Losses:Customer Meter Inaccuracies	90 824	143 343	71 228	-	306 324	570 403	281 887	14 668
Water Losses:Apparent Losses:Unauthorized Consumption (Theft)	50 458	79 635	39 571	-	170 180	316 890	156 604	-
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	40 871	64 505	32 053	-	137 846	256 681	126 849	7 008
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	232 963	367 676	182 699	-	785 722	1 463 083	723 040	39 945
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	543 580	857 910	426 298	-	1 833 350	3 413 859	1 687 093	93 205
Water Losses:Data Transfer and Management Errors	50 458	79 635	39 571	-	170 180	316 890	156 604	8 149
<b>Non Revenue Water (% Loss - Water Inventory)</b>	<b>52,0%</b>	<b>75,3%</b>	<b>79,4%</b>	<b>0,0%</b>	<b>46,2%</b>	<b>75,2%</b>	<b>81,7%</b>	<b>13,8%</b>
<b>Total Water Inventory (Consumed plus losses)</b>	<b>1 941 927</b>	<b>2 115 594</b>	<b>996 364</b>	<b>223 774</b>	<b>7 374 936</b>	<b>8 429 280</b>	<b>3 832 936</b>	<b>1 179 548</b>

### 3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL OCTOBER 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
<b>Exchange Revenue</b>				
Service Charges – Electricity revenue	2 542 822 400	859 000 000	831 054 090	96,75%
Service Charges – Water revenue	643 500 000	220 450 000	181 492 963	82,33%
Service charges - Waste Water Management	132 281 600	44 088 600	44 665 463	101,31%
Service charges - Waste management	120 401 900	40 133 967	41 581 631	103,61%
Sale of Goods and Rendering of Services	75 525 600	25 175 200	16 729 027	66,45%
Agency services	8 364 800	2 788 267	2 367 784	84,92%
Interest earned from Receivables	29 400	9 800	146	1,48%
Interest from Current and Non Current Assets	45 000 000	15 000 000	11 974 737	79,83%
Rent on Land	1 911 700	637 200	971 372	152,44%
Rental from Fixed Assets	19 840 400	6 613 467	6 807 477	102,93%
Operational Revenue	11 627 000	3 875 667	6 583 797	169,88%
<b>Non-Exchange Revenue</b>				
Property rates	778 223 600	289 294 500	293 904 915	101,59%
Surcharges and Taxes	6 207 900	2 069 300	2 346 825	113,41%
Fines, penalties and forfeits	12 283 600	4 094 533	2 382 981	58,20%
Licence and permits	3 631 700	1 210 567	1 190 374	98,33%
Transfers and subsidies - Operational	587 345 000	227 748 700	246 245 647	108,12%
Interest	870 000	290 000	785 591	270,89%
Other Gains	27 840 600	9 280 200	9 310 272	100,32%
Gains on sale of Land	-	-	10 792 174	0,00%
Gains - Water Inventory	581 744 600	193 914 867	206 084 533	106,28%
<b>TOTAL OPERATING REVENUE</b>	<b>5 599 451 800</b>	<b>1 945 674 833</b>	<b>1 917 271 799</b>	<b>98,54%</b>
<b>LESS: EQUITABLE SHARE</b>				
Equitable Share Received in Advance	-	-	(46 354 000)	0,00%
<b>TOTAL REVENUE</b>	<b>5 599 451 800</b>	<b>1 945 674 833</b>	<b>1 870 917 799</b>	<b>96,16%</b>

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

### 3.7 Surplus and Deficit by Function

FUNCTION	ADOPTED BUDGET 2024/25			ACTUAL AS AT 31 OCTOBER 2024		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	805 200	49 014 500	(48 209 300)	255 425	18 401 701	(18 146 276)
Finance and Administration	1 070 304 900	174 702 500	895 602 400	390 627 091	62 239 251	328 387 840
Internal Audit	27 400	175 900	(148 500)	8 800	(1 790 277)	1 799 077
Community and Social Services	18 143 100	150 173 900	(132 030 800)	13 953 766	48 524 581	(34 570 816)
Sport and Recreation	13 277 000	223 320 200	(210 043 200)	5 563 634	69 090 271	(63 526 637)
Public Safety	11 362 000	224 135 300	(212 773 300)	2 239 507	60 004 984	(57 765 477)
Housing	71 028 900	94 938 900	(23 910 000)	15 251 536	22 785 275	(7 533 739)
Health	-	7 182 200	(7 182 200)	-	2 523 089	(2 523 089)
Planning and Development	14 425 600	102 513 500	(88 087 900)	13 324 172	31 478 791	(18 154 620)
Road Transport	15 899 700	309 858 600	(293 958 900)	1 613 518	100 331 734	(98 718 216)
Enviromental Protection	65 800	8 279 000	(8 213 200)	18 200	1 885 223	(1 867 023)
Air T ransport and other	9 403 200	33 299 900	(23 896 700)	1 234 440	13 464 005	(12 229 565)
Energy sources	2 600 886 100	2 373 236 500	227 649 600	851 507 344	860 340 611	(8 833 267)
Water management	1 287 663 300	1 279 646 700	8 016 600	460 234 306	478 342 784	(18 108 478)
Waste water management	254 798 100	347 627 800	(92 829 700)	89 037 244	123 116 819	(34 079 575)
Waste management	231 361 500	211 812 900	19 548 600	26 048 817	65 691 709	(39 642 893)
<b>Total</b>	<b>5 599 451 800</b>	<b>5 589 918 300</b>	<b>9 533 500</b>	<b>1 870 917 799</b>	<b>1 956 430 550</b>	<b>(85 512 751)</b>

### **Exceptional Observations**

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, they are all making a loss which is a huge concern (please see comments on 3.6 above).

### **3.8 Exception Sub Function Budget Summary**

The following tables illustrate the total budget performance per function (budget vs actuals). This will enable monitoring of revenue, expenditure and capital spending on a monthly basis. Fleet management and Air Transport (Airport) has been identified at this stage.

<b>FLEET MANAGEMENT</b>				
	<b>ADOPTED BUDGET 2024/25</b>	<b>PRO-RATA ADOPTED BUDGET (YTD)</b>	<b>ACTUAL OCTOBER 2024 (YTD)</b>	<b>% PRO-RATA ADOPTED BUDGET SPENT</b>
Revenue	3 215 000	1 071 667	131 933	12%
Expenditure	28 054 000	9 351 333	30 307 412	324%
<b>Surplus/(Deficit)</b>	<b>(24 839 000)</b>	<b>(8 279 667)</b>	<b>(30 175 479)</b>	
Capital	4 500 000	-	-	-

Fleet expenditure is high in the month of October 2024; this is as a result of the backlog on Fleet maintenance notable waste removal trucks which requires urgent maintenance to avoid disruption in waste removal.

<b>AIR TRANSPORT (AIRPORT)</b>				
	<b>ADOPTED BUDGET 2024/25</b>	<b>PRO-RATA ADOPTED BUDGET (YTD)</b>	<b>ACTUAL OCTOBER 2024 (YTD)</b>	<b>% PRO-RATA ADOPTED BUDGET SPENT</b>
Revenue	9 616 500	3 205 500	1 170 129	37%
Expenditure	28 295 000	9 431 667	11 851 801	126%
<b>Surplus/(Deficit)</b>	<b>(18 678 500)</b>	<b>(6 226 167)</b>	<b>(10 681 672)</b>	
Capital	3 999 000	1 800 000	5 216 437	(3 416 437)

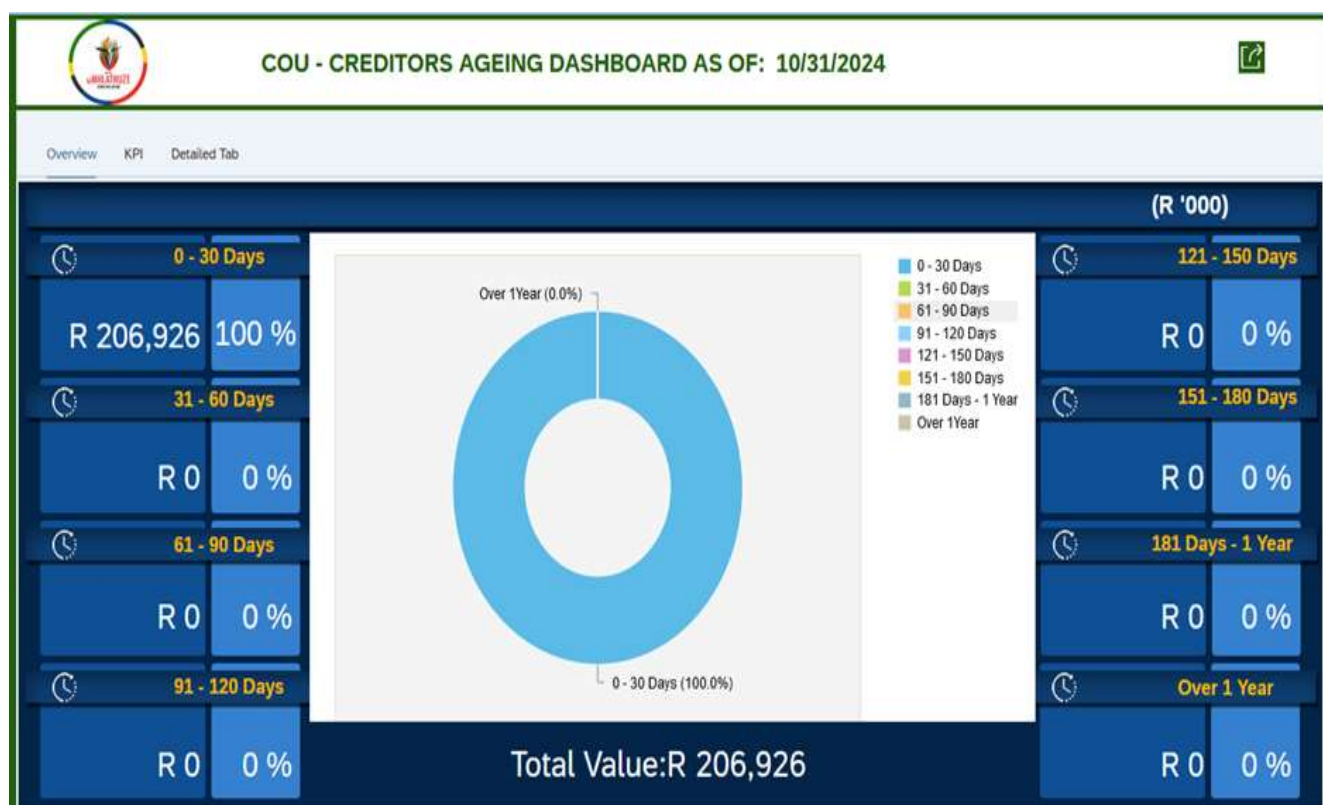
Take note that the Airport as a function should be breaking even at minimum, but ideally making a surplus. Given that, the Municipality has only been in control of the function since May 2021 as per RPT 170822. It is understandable that it may take some time for the facility to increase its revenue to the extent that it does break even. It is expected to pick up as the year progresses and this is due to the lease agreement Council reached with most service providers for rental Council property.



### 3.9 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days
	R
Bulk Electricity	151 345 181
PAYE deductions	17 530 667
Pensions / Retirement deductions	15 878 940
Trade Creditors	21 912 452
Other	258 938
<b>Total By Customer Type</b>	<b>206 926 179</b>



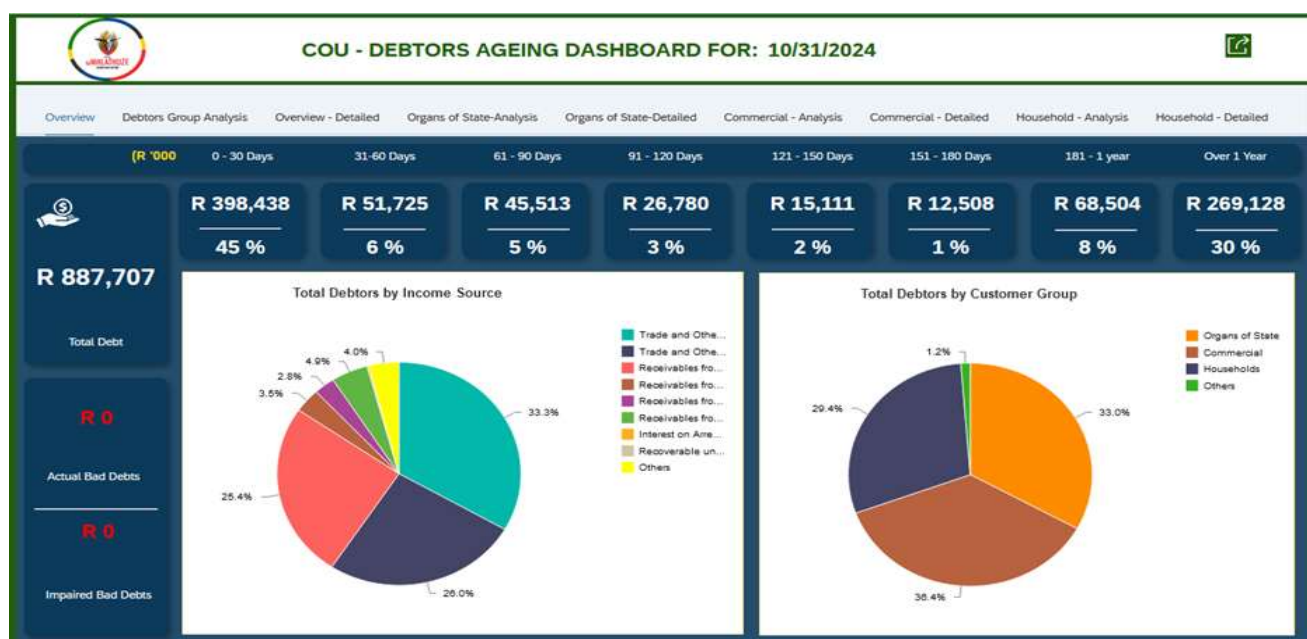
The above table represents the ageing of creditors outstanding as at 31 October 2024. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of OCTOBER 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.

### 3.10 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	151 584 316	30 742 063	26 809 657	84 075 886	293 211 921
Business	184 825 164	10 334 040	8 455 577	119 315 255	322 930 037
Households	60 887 927	10 058 871	9 830 200	179 809 837	260 586 835
Other	1 140 859	590 491	417 574	8 828 834	10 977 758
<b>Total</b>	<b>398 438 266</b>	<b>51 725 465</b>	<b>45 513 009</b>	<b>392 029 812</b>	<b>887 706 551</b>
<b>%</b>	<b>44,88%</b>	<b>5,83%</b>	<b>5,13%</b>	<b>44,16%</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:

Formula (As per circular 71)	Norm
$\frac{\text{Gross Debtors Opening Balance} + \text{Billed Revenue} - \text{Gross Debtors Closing Balance} - \text{Bad Debts Written Off}}{\text{Billed Revenue}} \times 100$	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	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	95%		99%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance Oct 2024	700 363 078	
				Gross Debtors opening balance Nov 2023	702 955 571	
				Bad debts written Off Nov 2023 to Oct 2024	49 300 034	
				Billed Revenue Nov 2023 - Oct 2024	3 648 910 404	

## Net Debtors Days

This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its consumers for bills / invoices issued to them for services. The Ratio excludes balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful Debts:

<b>Formula (As per circular 71)</b>	<b>Norm</b>
(Gross Debtors - Bad Debt Provision) / Billed Revenue) 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	((Gross Debtors - Bad Debt Provision) / Billed Revenue)) x 365	30 days		43 days	Please refer to page 6 of MFMA Circular No. 71
				Gross Debtors closing balance Oct 2024.	700 363 078	
				Bad debts Provision / Impairment 2024 / 2025	274 732 500	
				Billed Revenue Nov 2023 - Oct 2024	3 648 910 404	

## Top Ten Debtors

TOP TEN DEBTORS FROM ALL CATEGORIES							
Account No	Consumer Type	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1854904	Private Business	-	-	-	-	22 377 590	22 377 590
531788	State Ow ned Entity	-	-	-	-	21 328 793	21 328 793
30000543	Private Business	580 710	290 355	290 355	-	7 382 299	8 543 719
1153881	Private Business	222 281	117 836	124 949	66 643	7 062 934	7 594 643
416383	Private Business	170 688	-	88 049	1 432	6 881 628	7 141 797
1610626	Private Business	-	-	-	-	6 185 169	6 185 169
501543	State Ow ned Entity	131 289	128 385	146 533	126 265	5 727 840	6 260 313
2328365	State Ow ned Entity	-	-	-	980 400	5 516 250	6 496 650
2369555	State Ow ned Entity	442 654	221 347	221 158	203 331	5 514 281	6 602 771
2289941	Private Business	649	-	472	2 139	5 051 098	5 054 357
		<b>1 548 270</b>	<b>757 924</b>	<b>871 516</b>	<b>1 380 209</b>	<b>93 027 882</b>	<b>97 585 800</b>

## Government Debt

Government debtors shown as follows:

GOVERNMENT & STATE OWNED ENTITIES DEBT						
Government Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	8 832 285	513 728	622 175	291 312	1 618 222	11 877 722
Provincial	12 359 166	29 186 812	23 334 514	8 204 938	16 789 113	89 874 543
Other Organs of State	37 870 026	814 329	2 283 655	2 258 794	23 281 145	66 507 949
National Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	8 355 314	280 053	100 991	108 389	963 218	9 807 966
SA Revenue Services	17 903	7 591	7 576	9 339	24 343	66 752
Stats SA	43 001	21 896	21 444	18 341	130 582	235 263
Dept of Agriculture and Rural Development & Land Reform	60 554	21 555	332 453	228	372 720	787 510
Department of Water Affairs and Sanitation	355 513	182 633	159 711	155 015	127 358	980 230
	8 832 285	513 728	622 175	291 312	1 618 222	11 877 722
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	61 175	-162 673	21 498 624	5 305 819	2 055 823	28 758 767
Education	2 365 631	176 119	404 347	354 568	5 950 637	9 251 302
Tvet Colleges	5 876 622	29 045 934	1 015 416	2 482 185	4 203 604	42 623 760
Human Settlement	134 363	36 427	337 803	5 108	618 135	1 131 836
Department of Transport	220 778	14 249	13 932	12 221	147 836	409 016
Department of Health	3 549 434	-	-	-	3 813 078	7 362 512
Department of Social Welfare	151 164	76 757	64 392	45 037	-	337 349
	12 359 166	29 186 812	23 334 514	8 204 938	16 789 113	89 874 543
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	9 317 608	308 208	1 103 204	51 246	-1 499 208	9 281 058
ESKOM	234 190	61 869	61 024	53 430	278 875	689 387
Ingonyama Trust Board	870 394	435 237	1 111 162	2 150 422	24 442 989	29 010 205
Telkom	514 476	734	2 388	1 580	21 802	540 980
Foskor	26 902 459	7 740	-	-	-	26 910 198
SA Post Office	30 899	541	5 877	2 115	36 688	76 121
Richards Bay IDZ	3 700 924	-	-	-	-	3 700 924
Mhlathuze Water Board	6 145 556	232 530	232 530	465 059	22 026 382	29 102 057
King Cetshwayo District Municipality	8 858 915	128385,44	146532,91	126264,66	5 727 840,30	14 987 937,97
	56 575 422	1 175 244	2 662 717	2 850 118	51 035 367	114 298 868

## 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.

### 3.11 Employee Debt / Councillor Debt

Section 124(1)(b) of the MFMA: Disclosures concerning councillors, directors and officials stipulates:

*“The notes to the annual financial statements of a municipality must include particulars of - any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control, for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days including the names of those councillors;”*

At the previous Financial Services Portfolio Committee meeting, Councillors requested that Officials’ and Councillors’ debt be submitted to Council.

- Employees’ debt amounts to R 167 045, 72 as per **Annexure AD - DMS 1708534**.
- Councillors’ debt amounts to R 33 118, 92 as per **Annexure AC - DMS 1708534**.

### 3.12 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 1708534**.

## 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1708533**) 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 1708533**) for the month ended 31 October 2024.

### 6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1708533**) for the month ended 31 October 2024.

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

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1708533**) for the month ended 31 October 2024.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1708533**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1708533**) for the month ended 31 October 2024.

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

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1708533**) for the month ended 31 October 2024.

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

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1708533**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1708533**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1708533**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1708533**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1708533**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1708533**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1708533**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1708533**).

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

Refer to **DMS 1708701 - 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 October 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 1708533**), be noted.