

17674

## FINANCIAL REPORT AS AT 30 NOVEMBER 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 30 November 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 November 2024 is included under **Annexures AA and AB (DMS 1713679)**.

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## PART 1 - IN-YEAR REPORTING

### 1. MAYOR'S REPORT FOR THE MONTH OF NOVEMBER 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 November 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 November 2024 (year to date actual) shows a deficit of R131,5 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 R236,1 million (38,65%). 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 1,21:1 (Working Capital Cash in Bank against average monthly liabilities – R454 457/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 30 November 2024:

DESCRIPTION	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL NOVEMBER 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 599 451 800	2 359 304 758	2 287 227 824	96,94%
Expenditure	5 589 918 300	2 354 705 775	2 418 728 621	102,72%
<b>Operating Surplus/(Deficit)</b>	<b>9 533 500</b>	<b>4 598 983</b>	<b>(131 500 797)</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 November 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: NOVEMBER, 2024



### Operating Revenue (R '000)

5,599,452	Original Budget
0	Adjusted Budget
369,956	Monthly Actual
2,287,228	YTD Actual
2,413,383	YTD Budget
5,599,452	System Budget

### Operating Expenditure (R '000)

5,589,918	Original Budget
0	Adjusted Budget
462,298	Monthly Actual
2,418,729	YTD Actual
2,065,715	YTD Budget
5,589,918	System Budget

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

219,003	Original Budget
0	Adjusted Budget
5,069	Monthly Actual
110,254	YTD Actual
100,122	YTD Budget
219,003	System Budget

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

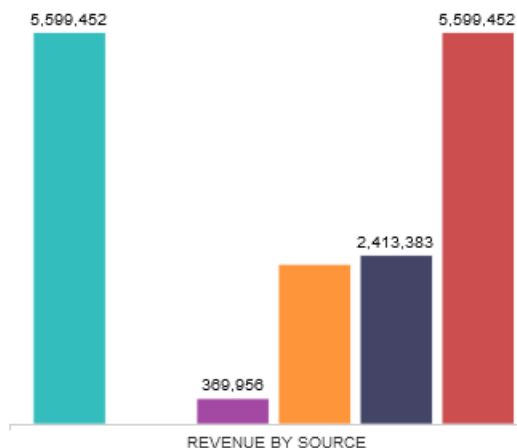
9,534	Original Budget
0	Adjusted Budget
-92,342	Monthly Actual
-131,501	YTD Actual
347,668	YTD Budget
9,534	System Budget

Overview

Revenue & Expenditure Analysis

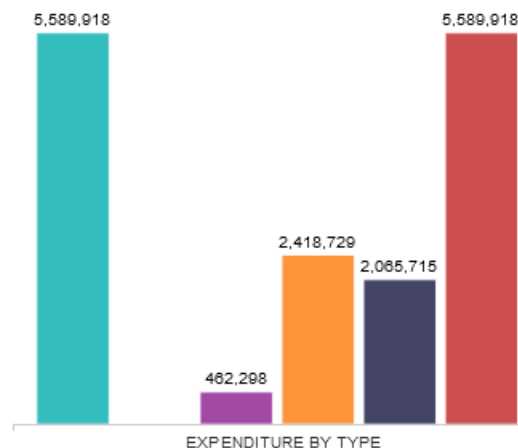
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

#### Operating Revenue (R '000)



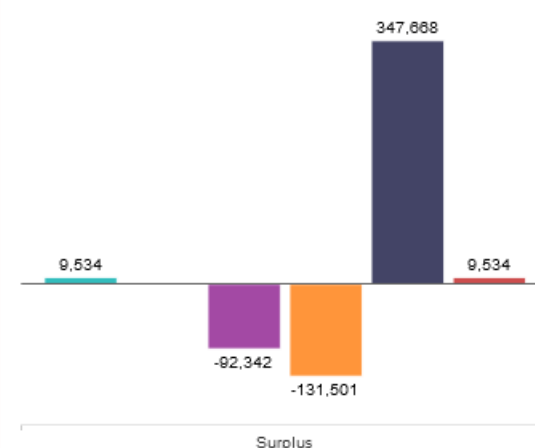
Original Budget  
Adjusted Budget  
Monthly Actuals  
Year to Date Actuals  
Year to Date Budget  
Full Year Forecast

#### 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 1,21:1 (454 457/376 367).

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 30/11/2024	ACTUAL EXPENDITURE AS AT 30/11/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	556 251 000	231 771 000	231 771 250	100%	42%	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	151 498 000	75 749 000	68 514 455	90%	45%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure
Financial Management Grant	2 500 000	2 500 000	461 465	18%	18%	The purpose of this grant is to promote and support reforms in financial mamagement by building capacity in municipalities to implement Finance Management Act (MFMA).
Water services infrastructure grant	60 000 000	38 600 000	36 295 350	94%	60%	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	1 871 000	627 379	34%	23%	The grant is for the operational expenditure for EPWP.Expenditure shown has been incurred in the period under review,
Integrated National Electrification Programme Grant	9 850 000	3 940 000		0%	0%	The award of the bid has been adjudicated and the appointment of the service provider is in progress and will be finalised during December 2024. The construction will start in January 2025.
Energy Efficiency and Demand Management	5 500 000	1 500 000	158 953	11%	3%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. No capital expenditure has been incurred in the period under review.
TOTAL NATIONAL TREASURY GRANTS	788 273 000	355 931 000	337 828 851	95%	43%	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 30/11/2024	ACTUAL EXPENDITURE AS AT 30/11/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	10 016 000	10 016 000	15 621 217	156%	156%	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	871 488	41%	41%	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	9 458 026	532%	214%	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	-	1 541 630	0%	593%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
TOTAL PROVINCIAL TREASURY GRANTS	16 829 000	13 918 770	27 492 360	198%	163%	
TOTAL GRANTS AND SUBSIDIES	805 102 000	369 849 770	365 321 212	99%	45%	

### 3.4 Capital Budget Summary

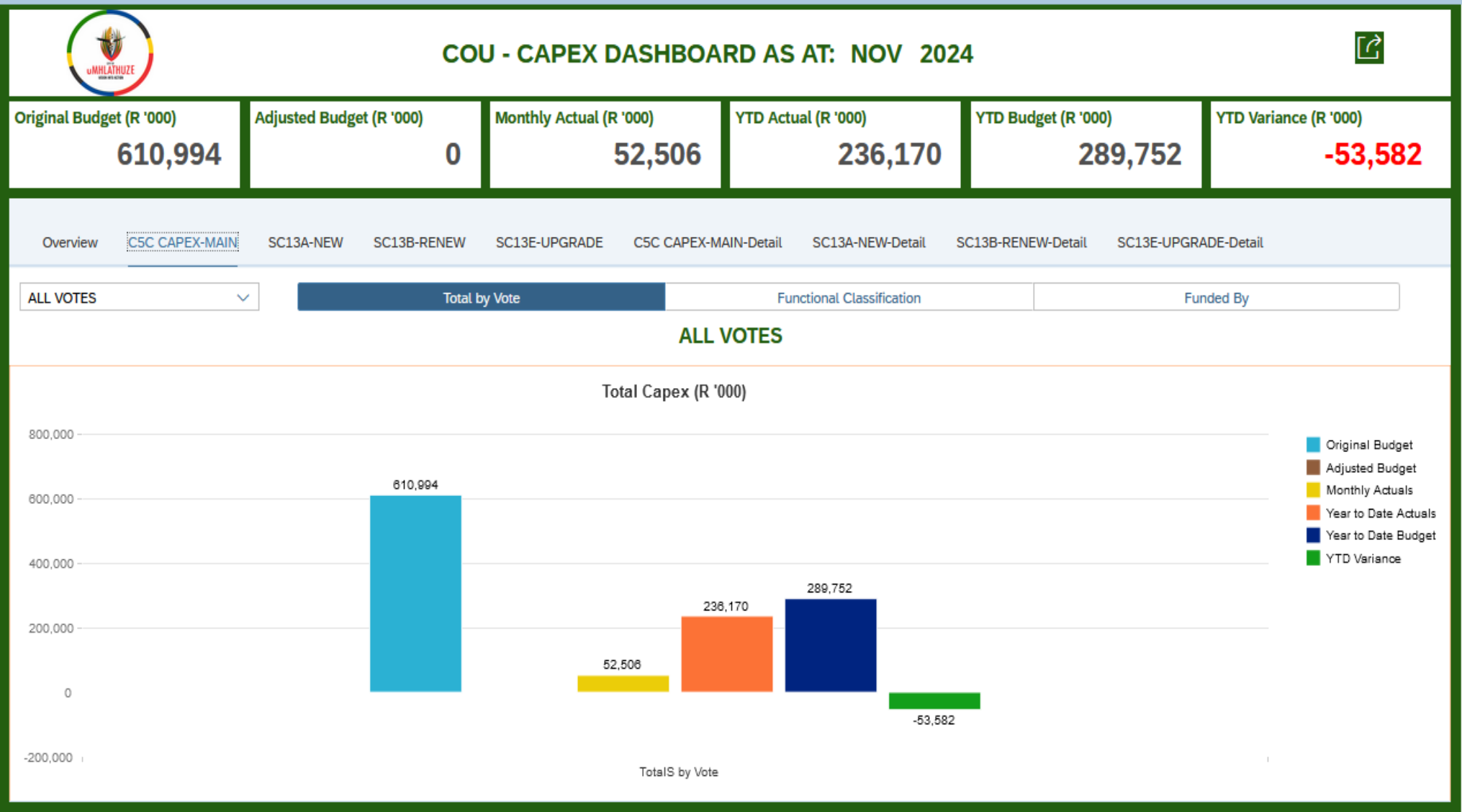
The table below represents Capital Expenditure incurred as at 30 November 2024:

<b>FUNCTION</b>	<b>ADOPTED BUDGET 2024/2025</b>	<b>ACTUAL NOVEMBER 2024 (YTD)</b>	<b>% OF ADOPTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Executive and Council	36 000	9 800	27,22%
Finance and Administration	58 751 000	4 908 012	8,35%
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	6 512 124	18,51%
Road Transport	69 023 000	54 525 041	79,00%
Environmental Protection	78 000	-	0,00%
Air Transport - Air port	12 399 000	5 216 437	42,07%
Energy Sources	76 690 300	2 324 146	3,03%
Water Management	246 308 700	91 715 567	37,24%
Waste Water Management	64 815 000	58 919 166	90,90%
Waste Management	15 235 000	-	0,00%
	<b>610 994 000</b>	<b>236 170 240</b>	<b>38,65%</b>

#### Capital Expenditure by Source of Funding

<b>SOURCE OF FUNDING</b>	<b>ADOPTED BUDGET 2024/2025</b>	<b>ACTUAL NOVEMBER 2024 (YTD)</b>	<b>% OF ADOPTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	380 000 000	135 555 122	35,67%
Capital Replacement Reserve	11 991 000	810 462	6,76%
Integrated Urban Development Grant	143 923 000	63 486 781	44,11%
Government Grants - National	74 580 000	35 623 298	47,77%
Government Grants - Provincial	500 000	694 578	138,92%
<b>TOTAL</b>	<b>610 994 000</b>	<b>236 170 240</b>	<b>38,65%</b>

Capital Expenditure by Vote (Departments)





### 3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL NOVEMBER 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 257 067 700	490 778 600	468 820 344	95,53%
Remuneration of Councillors	35 202 700	14 667 792	14 159 308	96,53%
Bulk Purchases - Electricity	1 802 030 900	814 573 200	825 191 986	101,30%
Inventory consumed - Water	325 340 000	117 661 100	123 141 470	104,66%
Inventory consumed - Materials	167 493 600	82 532 000	82 146 053	99,53%
Debt Impairment	274 732 500	114 471 875	95 680 109	83,58%
Depreciation and asset impairment	305 949 500	127 478 958	146 291 667	114,76%
Finance Charges	178 823 500	74 509 792	79 006 949	106,04%
Contracted Services	475 795 300	198 248 042	217 802 089	109,86%
Transfers and Subsidies	7 582 000	3 159 167	278 926	8,83%
Irrecoverable debts written off	-	-	4 468 155	0,00%
Operational costs	389 896 200	162 456 750	149 408 355	91,97%
Losses - Water Inventory (note 1)	370 004 400	154 168 500	212 333 212	137,73%
<b>TOTAL</b>	<b>5 589 918 300</b>	<b>2 354 705 775</b>	<b>2 418 728 621</b>	<b>102,72%</b>

## WATER LOSS OR NON REVENUE WATER BROKEN DOWN

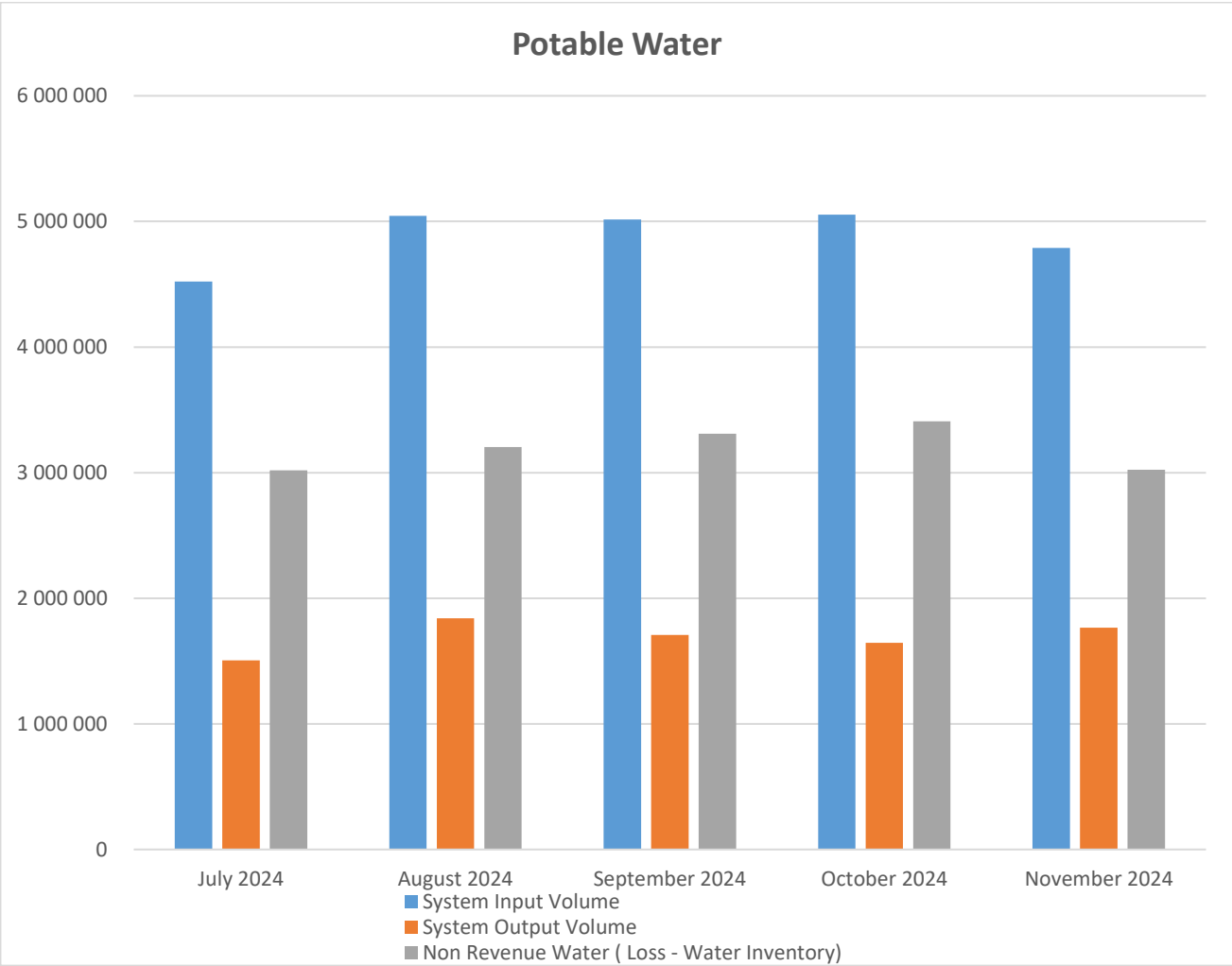
In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. In financial terms water is referred to as water inventory. This model is derived from the Internal Water 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	121 922 248	112 623 608	9 298 640
Inventory consumed - Water Unbilled (Authorised)	6 952 900	6 725 400	227 500	1 219 222	1 126 236	92 986
Total - Inventory consumed - Water	325 340 000	304 727 800	20 612 200	123 141 471	113 749 844	9 391 626
Non Revenue Water ( Loss - Water Inventory)	369 949 800	367 816 800	2 133 000	212 279 674	210 411 084	1 868 590
<b>Total Water Inventory (Consumed plus losses)</b>	<b>695 289 800</b>	<b>672 544 600</b>	<b>22 745 200</b>	<b>335 421 144</b>	<b>324 160 929</b>	<b>11 260 216</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	9 685 324	8 461 277	1 224 047
Inventory consumed - Water Unbilled (Authorised)	617 827	564 827	53 000	96 853	84 613	12 240
Total - Inventory consumed - Water	30 395 145	25 592 145	4 803 000	9 782 177	8 545 890	1 236 288
Non Revenue Water ( Loss - Water Inventory)	31 387 591	30 890 591	497 000	16 157 827	15 880 148	277 678
Non Revenue Water (% Loss - Water Inventory)	50,8%	54,7%	9,4%	62,3%	65,0%	18,3%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>61 782 736</b>	<b>56 482 736</b>	<b>5 300 000</b>	<b>25 940 004</b>	<b>24 426 038</b>	<b>1 513 966</b>

Potable Water Inventory - in Units (kl)					
Water Inventory	July 2024	August 2024	September 2024	October 2024	November 2024
System Input Volume	4 522 239	5 044 436	5 016 592	5 053 885	4 788 885
System Output Volume	1 504 562	1 840 172	1 707 798	1 644 168	1 764 576
Non Revenue Water ( Loss - Water Inventory)	3 017 677	3 204 264	3 308 794	3 409 717	3 024 309



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

	Nov-24				Ytd Actual As At 30 November 2024			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane, Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwazazi North & South)	Zone 4 (Richards Bay - Clarified Water)	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane, Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwazazi North & South)	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
<b>System Input (Purchased and Produced)</b>	<b>1 804 682</b>	<b>2 037 624</b>	<b>946 579</b>	<b>334 418</b>	<b>9 179 618</b>	<b>10 466 904</b>	<b>4 779 515</b>	<b>1 513 966</b>
Kl/Day	60 156	67 921	31 553	11 147	300 059	342 213	156 209	49 620
<b>System Out Put - Inventory Consumed</b>	<b>1 114 972</b>	<b>494 556</b>	<b>172 694</b>	<b>219 714</b>	<b>5 086 306</b>	<b>2 586 030</b>	<b>873 554</b>	<b>1 236 288</b>
Kl/Day	37 166	16 485	5 756	7 324	166 404	84 521	28 520	40 520
Inventory consumed - Water Billed (Authorised)	1 103 933	489 660	170 984	217 539	5 035 947	2 560 426	864 905	1 224 047
Inventory consumed - Water Unbilled (Authorised)	11 039	4 897	1 710	2 175	50 359	25 604	8 649	12 240
<b>Non Revenue Water (Water Loss)</b>	<b>689 710</b>	<b>1 543 068</b>	<b>773 885</b>	<b>114 704</b>	<b>4 093 312</b>	<b>7 880 874</b>	<b>3 905 961</b>	<b>277 678</b>
Kl/Day	22 990	51 436	25 796	3 823	133 655	257 692	127 689	9 100
Water Losses: Apparent Losses: Customer Meter Inaccuracies	62 074	138 876	69 650	10 323	368 398	709 279	351 537	24 991
Water Losses: Apparent Losses: Unauthorized Consumption (Theft)	34 485	77 153	38 694	-	204 666	394 044	195 298	-
Water Losses: Real Losses: Leakage and Overflows at Storage Tanks/Reservoirs	27 933	62 494	31 342	4 932	165 779	319 175	158 191	11 940
Water Losses: Real Losses: Leakage on Service Connections up to the point of Customer Meter	159 220	356 217	178 651	28 114	944 941	1 819 300	901 691	68 059
Water Losses: Real Losses: Leakage on Transmission and Distribution Mains	371 512	831 173	416 853	65 599	2 204 862	4 245 033	2 103 946	158 804
Water Losses: Data Transfer and Management Errors	34 485	77 153	38 694	5 735	204 666	394 044	195 298	13 884
<b>Non Revenue Water (% Loss - Water Inventory)</b>	<b>38,2%</b>	<b>75,7%</b>	<b>81,8%</b>	<b>34,3%</b>	<b>44,6%</b>	<b>75,3%</b>	<b>81,7%</b>	<b>18,3%</b>
Total Water Inventory (Consumed plus losses)	1 804 682	2 037 624	946 579	334 418	9 179 618	10 466 904	4 779 515	1 513 966

### 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 NOVEMBER 2024 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
<b>Exchange Revenue</b>				
Service Charges – Electricity revenue	2 542 822 400	1 070 322 000	1 012 131 316	94,56%
Service Charges – Water revenue	643 500 000	284 421 600	230 950 289	81,20%
Service charges - Waste Water Management	132 281 600	54 849 600	55 940 553	101,99%
Service charges - Waste management	120 401 900	49 525 800	51 984 289	104,96%
Sale of Goods and Rendering of Services	75 525 600	31 469 000	17 338 757	55,10%
Agency services	8 364 800	3 485 333	4 256 707	122,13%
Interest earned from Receivables	29 400	12 250	146	1,19%
Interest from Current and Non Current Assets	45 000 000	18 750 000	15 358 787	81,91%
Rent on Land	1 911 700	796 542	791 699	99,39%
Rental from Fixed Assets	19 840 400	8 266 833	5 036 798	60,93%
Operational Revenue	11 627 000	4 844 583	9 090 436	187,64%
<b>Non-Exchange Revenue</b>				
Property rates	778 223 600	324 259 800	351 230 391	108,32%
Surcharges and Taxes	6 207 900	2 586 625	2 523 296	97,55%
Fines, penalties and forfeits	12 283 600	5 118 167	2 458 733	48,04%
Licence and permits	3 631 700	1 513 208	1 601 608	105,84%
Transfers and subsidies - Operational	587 345 000	244 727 083	247 014 770	100,93%
Interest	870 000	362 500	934 123	257,69%
Other Gains	27 840 600	11 600 250	11 626 947	100,23%
Gains on sale of Land	-	-	10 792 174	0,00%
Gains - Water Inventory	581 744 600	242 393 583	256 166 007	105,68%
<b>TOTAL OPERATING REVENUE</b>	<b>5 599 451 800</b>	<b>2 359 304 758</b>	<b>2 287 227 824</b>	<b>96,94%</b>

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

### 3.7 Surplus and Deficit by Function

FUNCTION	ADOPTED BUDGET 2024/25			ACTUAL AS AT 30 NOVEMBER 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)	1 209 414	22 334 932	(21 125 519)
Finance and Administration	1 070 304 900	174 702 500	895 602 400	472 350 102	76 885 852	395 464 249
Internal Audit	27 400	175 900	(148 500)	11 375	(2 110 181)	2 121 556
Community and Social Services	18 143 100	150 173 900	(132 030 800)	14 315 688	60 577 040	(46 261 352)
Sport and Recreation	13 277 000	223 320 200	(210 043 200)	3 820 431	89 442 306	(85 621 875)
Public Safety	11 362 000	224 135 300	(212 773 300)	2 806 872	75 201 062	(72 394 190)
Housing	71 028 900	94 938 900	(23 910 000)	15 096 817	25 129 381	(10 032 564)
Health	-	7 182 200	(7 182 200)	-	3 181 851	(3 181 851)
Planning and Development	14 425 600	102 513 500	(88 087 900)	13 543 475	41 351 987	(27 808 512)
Road Transport	15 899 700	309 858 600	(293 958 900)	7 232 064	126 772 568	(119 540 504)
Enviromental Protection	65 800	8 279 000	(8 213 200)	198 862	2 343 651	(2 144 789)
Air T ransport and other	9 403 200	33 299 900	(23 896 700)	1 506 892	16 324 182	(14 817 291)
Energy sources	2 600 886 100	2 373 236 500	227 649 600	1 037 470 177	1 050 756 162	(13 285 985)
Water management	1 287 663 300	1 279 646 700	8 016 600	568 756 264	593 177 873	(24 421 609)
Waste water management	254 798 100	347 627 800	(92 829 700)	107 370 788	155 639 922	(48 269 134)
Waste management	231 361 500	211 812 900	19 548 600	41 538 603	81 720 031	(40 181 428)
<b>Total</b>	<b>5 599 451 800</b>	<b>5 589 918 300</b>	<b>9 533 500</b>	<b>2 287 227 824</b>	<b>2 418 728 621</b>	<b>(131 500 797)</b>

NOTES:

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### **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 NOVEMBER 2024 (YTD)</b>	<b>% PRO-RATA ADOPTED BUDGET SPENT</b>
Revenue	3 215 000	1 339 583	164 917	12%
Expenditure	28 054 000	11 689 167	39 835 530	341%
<b>Surplus/(Deficit)</b>	<b>(24 839 000)</b>	<b>(10 349 583)</b>	<b>(39 670 613)</b>	
Capital	4 500 000	700 000	694 578	99%

Fleet expenditure is high in the month of November 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.

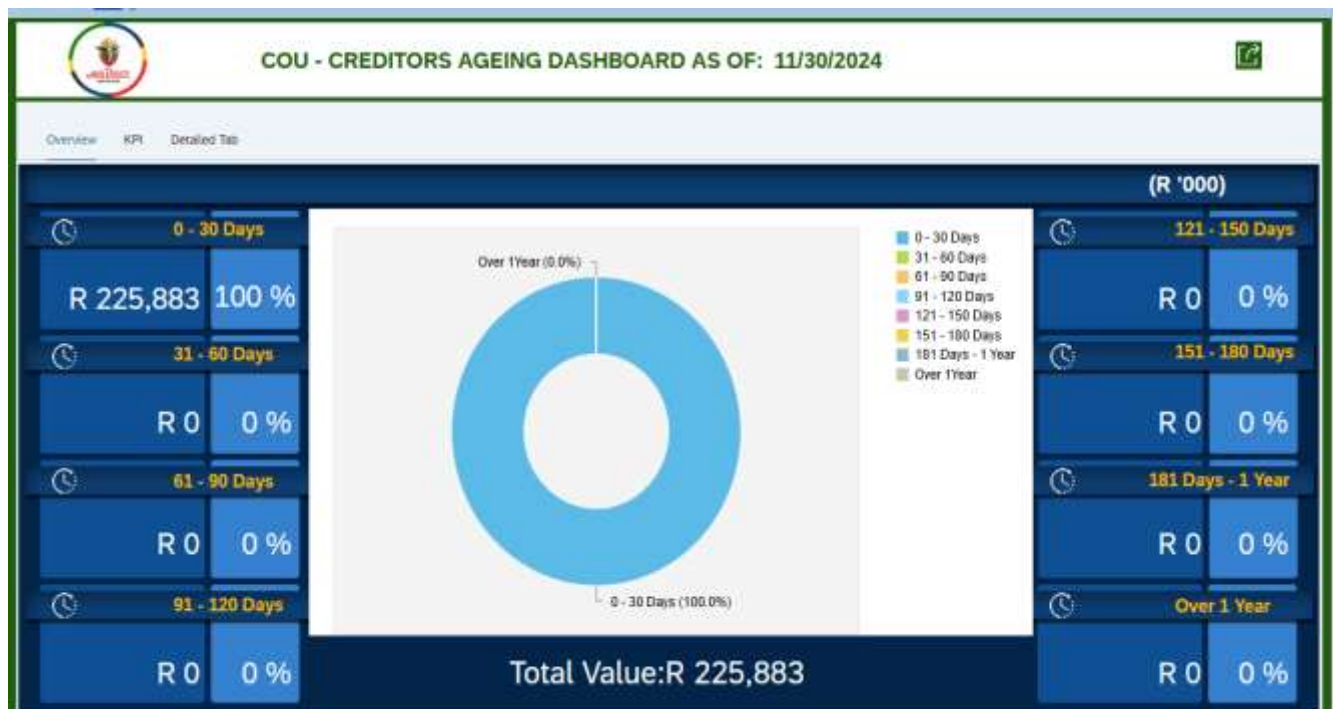
<b>AIR TRANSPORT (AIRPORT)</b>				
	<b>ADOPTED BUDGET 2024/25</b>	<b>PRO-RATA ADOPTED BUDGET (YTD)</b>	<b>ACTUAL NOVEMBER 2024 (YTD)</b>	<b>% PRO-RATA ADOPTED BUDGET SPENT</b>
Revenue	9 616 500	4 006 875	1 394 509	35%
Expenditure	28 295 000	11 789 583	14 311 885	121%
<b>Surplus/(Deficit)</b>	<b>(18 678 500)</b>	<b>(7 782 708)</b>	<b>(12 917 376)</b>	
Capital	3 999 000	-	-	-

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	158 080 140
PAYE deductions	16 714 321
Pensions / Retirement deductions	14 493 611
Trade Creditors	36 595 279
<b>Total By Customer Type</b>	<b>225 883 352</b>



The above table represents the ageing of creditors outstanding as at 30 November 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 NOVEMBER 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.

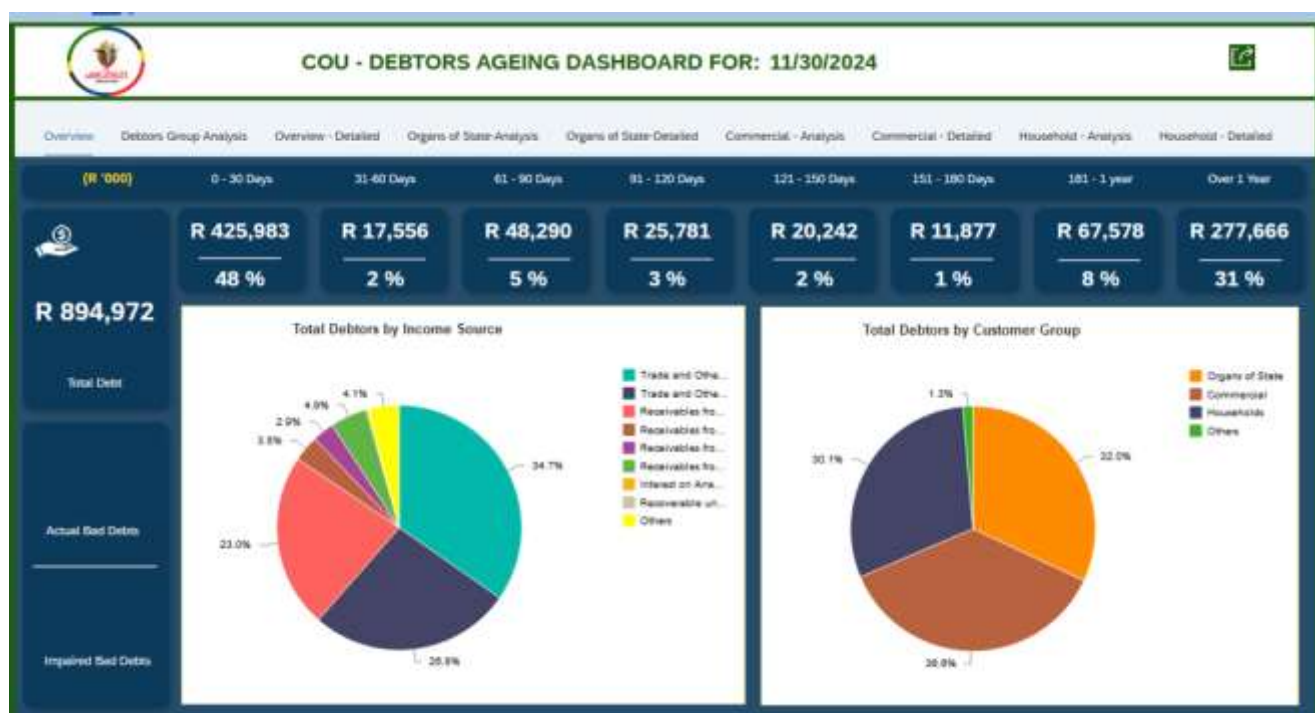


### 3.10 Debtors Report

#### 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	164 547 169	2 401 400	30 270 070	89 015 482	286 234 120
Business	193 933 112	8 092 202	8 290 844	117 085 870	327 402 027
Households	65 836 527	7 031 008	9 168 166	187 749 174	269 784 875
Other	1 666 349	31 516	560 446	9 293 113	11 551 424
<b>Total</b>	<b>425 983 157</b>	<b>17 556 124</b>	<b>48 289 526</b>	<b>403 143 638</b>	<b>894 972 447</b>
<b>%</b>	<b>47,60%</b>	<b>1,96%</b>	<b>5,40%</b>	<b>45,05%</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%		<b>97%</b>	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance Nov 2024	702 060 647	
			Gross Debtors opening balance Dec 2023	626 328 048	
			Bad debts written Off Dec 2023 to Nov 2024	49 300 034	
			Billed Revenue Dec 2023 - Nov 2024	3 678 567 563	

## 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		<b>42 days</b>	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance Oct 2024	702 060 647	
			Bad debts Provision / Impairment 2024 / 2025	274 732 500	
			Billed Revenue Nov 2023 - Oct 2024	3 678 567 563	

## 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 Owned Entity	137	-	-	-	21 328 793	21 328 930
30000543	Private Business	871 065	-	290 355	290 355	7 382 299	8 834 074
1153881	Private Business	176 922	80 653	117 836	124 949	7 129 577	7 629 937
416383	Private Business	256 031	-	-	88 049	6 883 060	7 227 140
2328365	State Owned Entity	-	-	-	-	6 496 650	6 496 650
1610626	Private Business	-	-	-	-	6 185 169	6 185 169
501543	State Owned Entity	220 230	-	128 385	146 533	5 722 816	6 217 964
2369555	State Owned Entity	442 613	221 347	221 347	221 158	5 717 612	6 824 077
2289941	Private Business	-	649	-	472	5 053 237	5 054 357
		<b>1 966 998</b>	<b>302 649</b>	<b>757 924</b>	<b>871 516</b>	<b>94 276 801</b>	<b>98 175 888</b>

## Government Debt

Government debtors shown as follows:

GOVERNMENT & STATE OWNED ENTETIES DEBT						
Government Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	2 071 606	349 258	274 158	594 099	1 852 863	5 141 985
Provincial	16 762 379	852 404	29 087 090	6 622 725	22 309 729	75 634 326
Government accounts in Dispute	12 596	6 298	6 298	192 071	562 677	779 940
National Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	1 598 867	114 081	40 483	72 916	1 014 936	2 841 283
SA Revenue Services	21 254	7 513	7 591	7 576	33 683	77 616
Stats SA	41 294	23 327	21 896	21 444	148 923	256 883
Dept of Agriculture and Rural Development & land Reform	61 841	22 261	21 555	332 453	372 948	811 059
Department of Water Affairs and Sanitation	348 351	182 075	182 633	159 711	282 373	1 155 144
	2 071 606	349 258	274 158	594 099	1 852 863	5 141 985
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	58 585	-197 979	-159 829	4 790 015	5 456 634	9 947 426
Education	2 529 112	136 865	173 087	403 852	6 189 907	9 432 823
Tvet Colleges	8 179 882	867 674	28 955 982	1 055 273	6 067 468	45 126 280
Human Settlement	115 452	29 421	28 800	319 949	622 089	1 115 710
Department of Transport	210 950	15 379	13 338	13 268	160 057	412 992
Department of Health	5 432 762	-	-	-	3 813 574	9 246 336
Department of Social Welfare	235 636	1 045	75 712	40 367	-	352 759
SANRAL	-	-	-	-	-0	-0
	16 762 379	852 404	29 087 090	6 622 725	22 309 729	75 634 326
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	8 379 711	432 639	213 164	1 008 708	-1 287 438	8 746 785
ESKOM	297 871	67 702	61 869	61 024	332 305	820 771
Ingonyama Trust Board	870 314	435 237	435 237	1 111 162	26 593 411	29 445 362
Telkom	580 361	-975	734	2 388	23 382	605 890
Foskor	37 619 455	17 218	-	-	-	37 636 673
SA Post Office	33 733	541	541	5 877	38 803	79 496
Richards Bay IDZ	3 901 285	-	-	-	-	3 901 285
Mhlathuze Water Board	6 690 239	232 530	232 530	232 530	22 491 441	29 879 269
King Cetshwayo District Municipality	8 828 301	-	128 385	146 533	5 722 816	14 826 035
	67 201 272	1 184 892	1 072 460	2 568 222	53 914 721	125 941 566

## 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 168 156, 04 as per **Annexure AD - DMS 1713679**.
- Councillors’ debt amounts to R 29 728, 74 as per **Annexure AC - DMS 1713679**.

### 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 1713679**.

## 4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1714238**) 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 1714238**) for the month ended 30 November 2024.

### 6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1714238**) for the month ended 30 November 2024.

### 7. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1714238**) for the month ended 30 November 2024.

### 8. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1714238**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1714238**) for the month ended 30 November 2024.

### 9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1714238**) for the month ended 30 November 2024.

### 10. CAPITAL PROGRAMME PERFORMANCE

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1714238**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1714238**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1714238**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1714238**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1714238**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1714238**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1714238**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1714238**).

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

Refer to **DMS 1714299 - 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 ACTING CITY MANAGER**

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

### **RECOMMENDED THAT:**

the financial position of the uMhlathuze Municipality as at 30 November 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 1714238**), be noted.