

17687

FINANCIAL REPORT AS AT 31 JANUARY 2025

This report was submitted to the Financial Services Portfolio Committee on 19 February 2025. The report was noted.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 January 2025 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial and Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliant
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all related financial policies
		5.1.1.4 Compliance with all MFMA and relevant local government financial legislation
	5.2.1 Sustainable Financial management (Expenditure and Revenue)	5.2.1.1 Provide continuous Internal Communication and support on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Accurate and timeous payments of creditors
		5.2.1.6 Apply adequate financial management methodologies
	5.3.1 Supply Chain Management	5.3.1.1 Demand and acquisition management
		5.3.1.2 Accurate contracts and logistics management
		5.3.1.3 Apply adequate financial management methodologies

BACKGROUND

Section 71 of the Municipal Finance Management Act (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with, in terms of the mentioned Act.

The Accounting Officer of the Municipality must report by no later than ten (10) working days after the end of each month to the Mayor and the relevant Provincial Treasury, a statement in the **prescribed format** on the state of the Municipality's budget.

Section 66 of the Municipal Finance Management Act further prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a format and for the prescribed period. It is considered appropriate to report on this section of the Act on a monthly basis to coincide with the reporting requirements of Section 71(1) of the Act.

As mentioned above, the MFMA Section 71(1) refers to a prescribed format according to which the annual budget is required to be prepared. The National Treasury issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out.

Furthermore, the National Treasury issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 November 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from November 2010.

The objectives of the budget format reforms in terms of these regulations are:

- ❖ To ensure that the Municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing Municipal Budget and Financial Reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of Municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs issued the Municipal Regulations on Standard Chart of Accounts as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 November 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations took effect from 1 November 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective, the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the Standard Chart of Accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the Standard Chart of Accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by the National Treasury.

In terms of Council Resolution 8901 dated 26 November 2013, Council was selected as a Pilot Site for the mSCOA implementation.

Section 1 of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

"A detailed plan approved by the Mayor of a municipality in terms of Section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:

- (a) *Projections for each month of-*
 - (i) *Revenue to be collected, by source; and*
 - (ii) *Operational and capital expenditure, by vote."*

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of January 2025 is included under **Annexures AA and AB (DMS 1723993)**.

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PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF JANUARY 2025

In terms of the Budget Regulations, Part 1 in-year reporting, the Mayor is required to provide a report / comments on:

- “(a) **a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;**

The Mayor has considered the Section 71 report for the month of January 2025, 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 January 2025 (year to date actual) shows a deficit of R203,2 million. The performance in this area is **Not Acceptable**.

Capital Budget

Council is in the third quarter first month for the current financial year and capital expenditure is R308,2 million (50,45%). 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 1,25:1 (Working Capital Cash in Bank against average monthly liabilities – R472 337/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 January 2025:

DESCRIPTION	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 599 451 800	3 285 189 642	3 202 303 388	97,48%
Expenditure	5 589 918 300	3 288 629 850	3 312 874 767	100,74%
Operating Surplus/(Deficit)	9 533 500	(3 440 208)	(110 571 378)	
Less:				
Equitable Share Received in Advance	-	-	(92 708 250)	
Net Operating Surplus/(Deficit)	9 533 500	(3 440 208)	(203 279 628)	

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

Below is the financial performance dashboard extracted from **SAP Reports and Dashboard Module**. It depicts the results as at the end of the month of January 2025 (year to date).

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



COU - FINANCIAL PERFORMANCE DASHBOARD FOR: JANUARY, 2025



Operating Revenue (R '000)

5,599,452	Original Budget
0	Adjusted Budget
361,307	Monthly Actual
3,202,303	YTD Actual
3,381,454	YTD Budget
5,599,452	System Budget

Operating Expenditure (R '000)

5,589,918	Original Budget
0	Adjusted Budget
435,024	Monthly Actual
3,312,875	YTD Actual
2,888,845	YTD Budget
5,589,918	System Budget

Capital Transfers & Subsidies (R '000)

219,003	Original Budget
0	Adjusted Budget
-2,105	Monthly Actual
133,910	YTD Actual
148,826	YTD Budget
219,003	System Budget

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

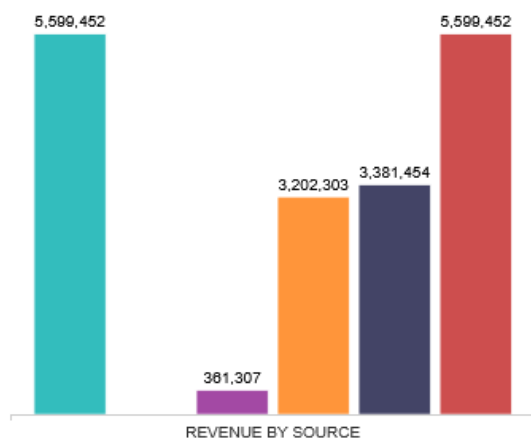
9,534	Original Budget
0	Adjusted Budget
-73,717	Monthly Actual
-110,571	YTD Actual
492,609	YTD Budget
9,534	System Budget

Overview

Revenue & Expenditure Analysis

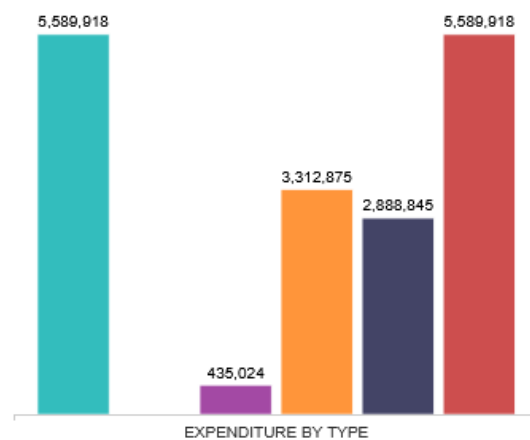
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

Operating Revenue (R '000)



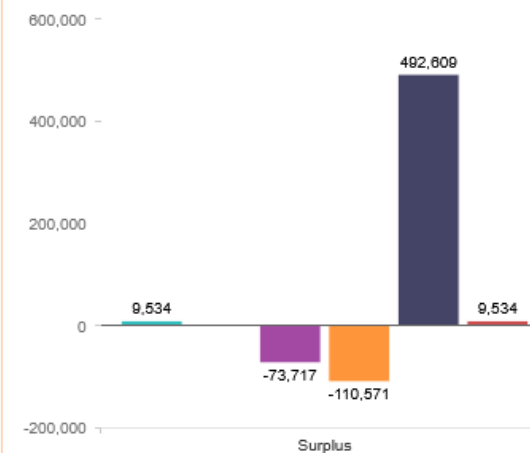
Original Budget
Adjusted Budget
Monthly Actuals
Year to Date Actuals
Year to Date Budget
Full Year Forecast

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

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 1,25:1 (472 337/376 367).

It is absolutely important that readers of the report know that "Working Capital" does not address the real amount of funds that Council should have in place when taking into account all statutory requirements as per Council Cash, Investments and Reserves Policy (DMS 1647921). As at 31 January 2025 that figure should be R1 381 million and not R472 million.

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 31/01/2025	ACTUAL EXPENDITURE AS AT 31/01/2025	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	556 251 000	417 188 000	324 479 750	78%	58%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services.
Integrated Urban Development Grant-IUDG	151 498 000	121 198 000	86 102 478	71%	57%	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	623 407	25%	25%	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	60 000 000	38 600 000	38 600 000	100%	64%	To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.
Extended Public Works Programme	2 674 000	1 871 000	1 016 486	54%	38%	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 department could not spend due to scope change control that had to be done and submitted to DMRE. However, the service provider has been appointed and the designs is 90% completed.
Energy Efficiency and Demand Management	5 500 000	5 500 000	459 625	8%	8%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. No capital expenditure has been incurred in the period under review.
TOTAL NATIONAL TREASURY GRANTS	788 273 000	590 797 000	451 281 746	76%	57%	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 31/01/2025	ACTUAL EXPENDITURE AS AT 31/01/2025	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	10 016 000	10 016 000	22 113 428	221%	221%	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	1 178 336	55%	55%	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	2 422 697	13 281 684	548%	300%	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	-	2 159 485	0%	831%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
TOTAL PROVINCIAL TREASURY GRANTS	16 829 000	14 562 697	38 732 934	266%	230%	
TOTAL GRANTS AND SUBSIDIES	805 102 000	605 359 697	490 014 680	81%	61%	

3.4 Capital Budget Summary

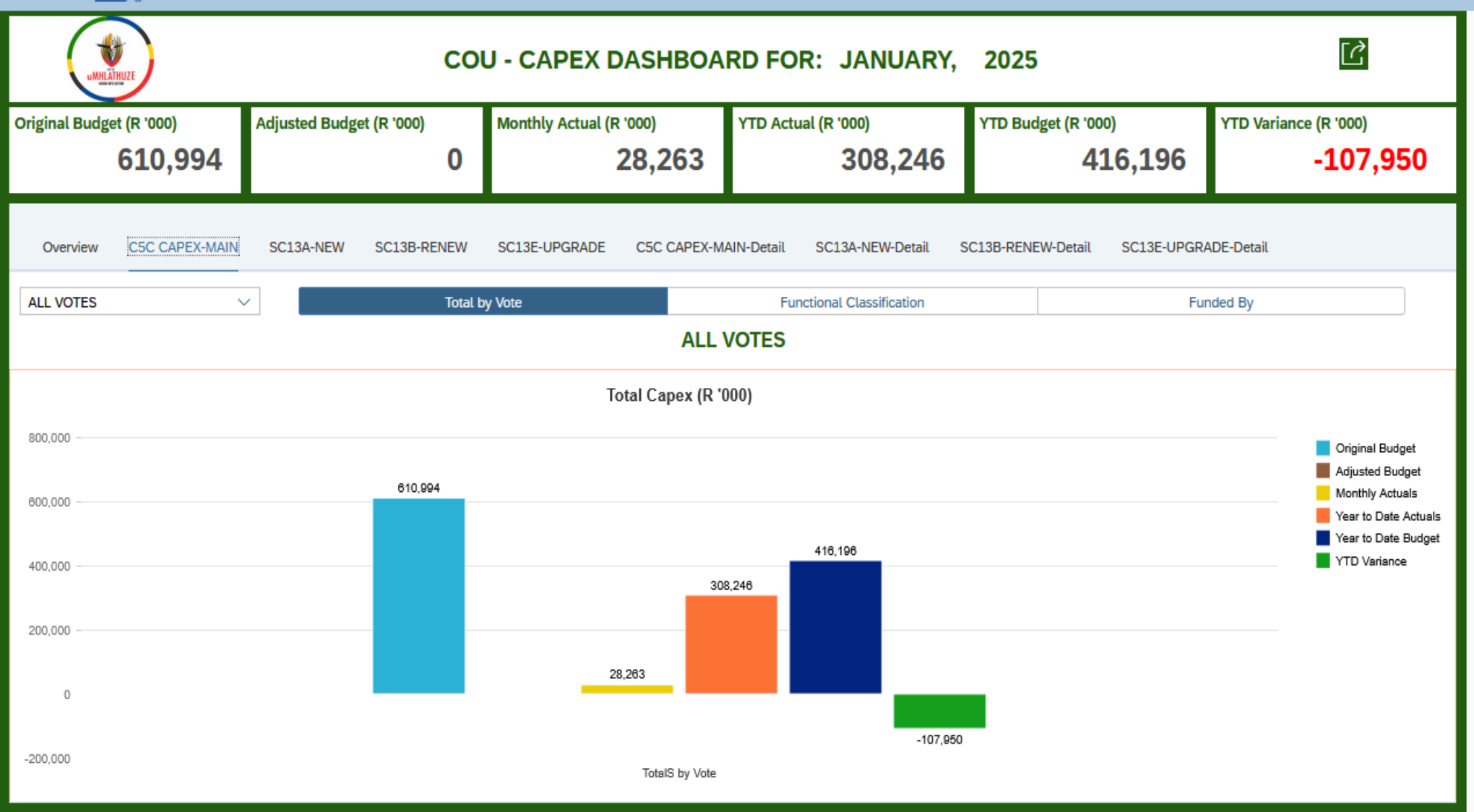
The table below represents Capital Expenditure incurred as at 31 January 2025:

FUNCTION	ADOPTED BUDGET 2024/2025	ACTUAL JANUARY 2025 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Executive and Council	36 000	15 072	41,87%
Finance and Administration	58 751 000	5 999 118	10,21%
Community and Social Services	9 249 000	254 277	2,75%
Sport and Recreation	19 361 000	12 820 242	66,22%
Public Safety	675 000	-	0,00%
Housing	3 198 000	-	0,00%
Planning and Development	35 175 000	12 387 132	35,22%
Road Transport	69 023 000	74 897 186	108,51%
Environmental Protection	78 000	-	0,00%
Air Transport - Air port	12 399 000	7 696 524	62,07%
Energy Sources	76 690 300	3 589 065	4,68%
Water Management	246 308 700	128 726 622	52,26%
Waste Water Management	64 815 000	61 860 358	95,44%
Waste Management	15 235 000	-	0,00%
	610 994 000	308 245 594	50,45%

Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADOPTED BUDGET 2024/2025	ACTUAL JANUARY 2025 (YTD)	% OF ADOPTED BUDGET SPENT
	R	R	%
Borrowing	380 000 000	165 435 047	43,54%
Capital Replacement Reserve	11 991 000	1 946 085	16,23%
Integrated Urban Development Grant	143 923 000	74 981 995	52,10%
Government Grants - National	74 580 000	65 086 888	87,27%
Government Grants - Provincial	500 000	101 000	20,20%
Self Insurance Reserves	-	694 578	0,00%
TOTAL	610 994 000	308 245 594	50,45%

Capital Expenditure by Vote (Departments)



3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 January 2025:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 257 067 700	733 289 492	665 698 712	90,78%
Remuneration of Councillors	35 202 700	20 334 908	19 857 111	97,65%
Bulk Purchases - Electricity	1 802 030 900	1 101 715 900	1 087 688 613	98,73%
Inventory consumed - Water	325 340 000	187 781 667	167 843 803	89,38%
Inventory consumed - Materials	167 493 600	97 704 600	106 259 393	108,76%
Debt Impairment	274 732 500	130 260 625	133 952 152	102,83%
Depreciation and asset impairment	305 949 500	178 470 542	205 557 184	115,18%
Finance Charges	178 823 500	104 313 708	110 857 365	106,27%
Contracted Services	475 795 300	287 547 258	303 264 128	105,47%
Transfers and Subsidies	7 582 000	2 000 800	944 391	47,20%
Irrecoverable debts written off	-	-	6 307 453	0,00%
Operational costs	389 896 200	227 439 450	215 003 130	94,53%
Losses - Water Inventory (note 1)	370 004 400	217 770 900	289 641 330	133,00%
TOTAL	5 589 918 300	3 288 629 850	3 312 874 767	100,74%

WATER LOSS OR NON REVENUE WATER BROKEN DOWN

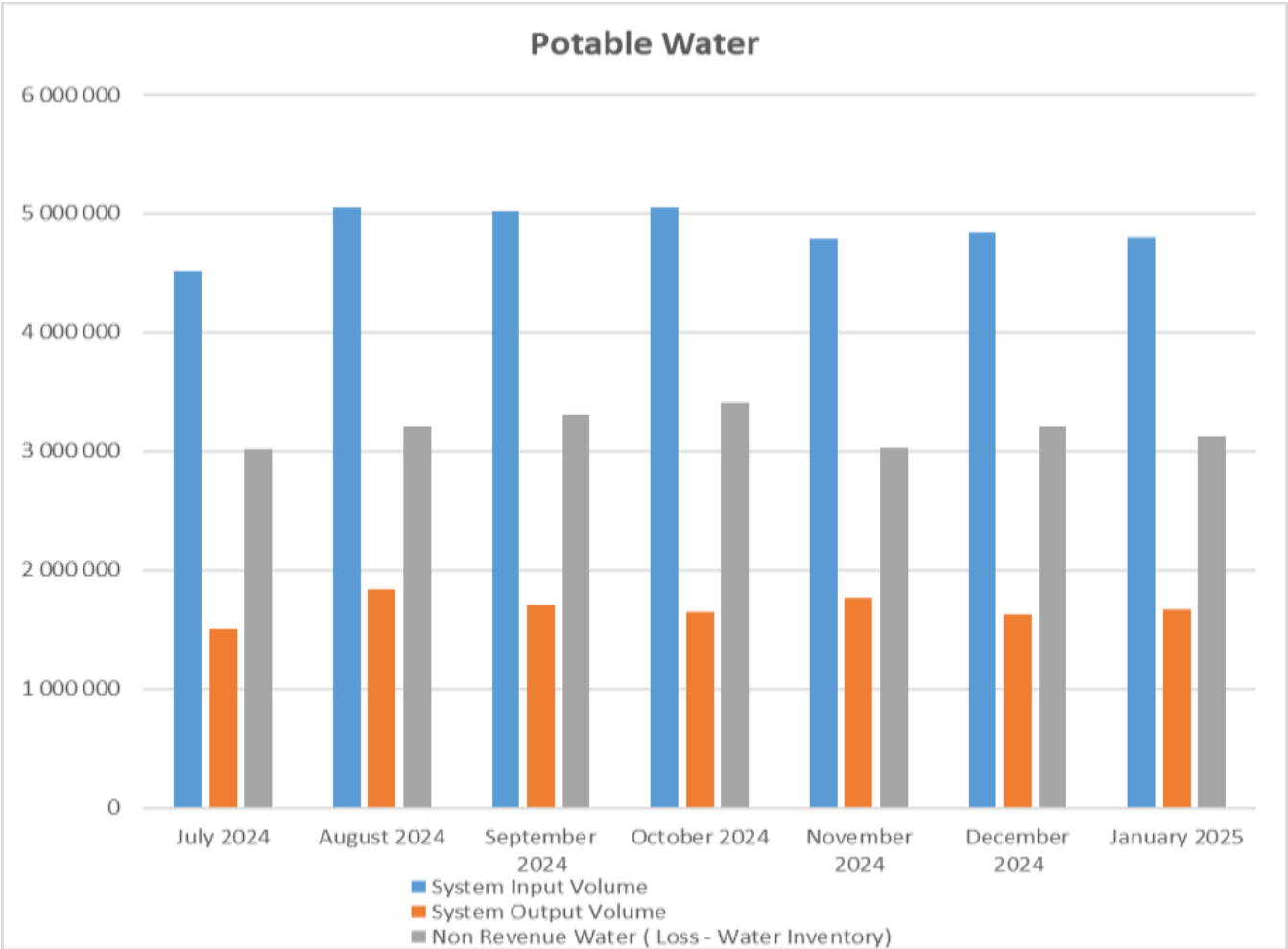
In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. In financial terms water is referred to as water inventory. This model is derived from the Internal Water 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
Output						
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
Total Water Inventory (Consumed plus losses)	695 289 800	672 544 600	22 745 200	335 421 144	324 160 929	11 260 216

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
Output						
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%
Total Water Inventory (Consumed plus losses)	61 782 736	56 482 736	5 300 000	25 940 004	24 426 038	1 513 966

Potable Water Inventory - in Units (kl)							
Water Inventory	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025
System Input Volume	4 522 239	5 044 436	5 016 592	5 053 885	4 788 885	4 835 422	4 802 090
System Output Volume	1 504 562	1 840 172	1 707 798	1 644 168	1 764 576	1 623 215	1 669 220
Non Revenue Water (Loss - Water Inventory)	3 017 677	3 204 264	3 308 794	3 409 717	3 024 309	3 212 207	3 132 870



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

	Jan-25				YTD AS AT 31 JANUARY 2025			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Zu ngu)	Zone 3 (Esikhaleni, Felixton, Vulendlela, Mkwanazi 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, Vulendlela, Mkwanazi North & South)	Zone 4 (Richards Bay Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
System Input (Purchased and Produced)	1 702 514	2 113 932	985 644	333 447	12 780 446	14 523 920	6 759 183	2 188 938
Kl/Day	54 920	68 191	31 795	10 756	416 214	473 084	220 069	71 393
System Out Put - Inventory Consumed	1 024 337	506 828	154 747	274 877	7 067 250	3 599 952	1 204 048	1 848 843
Kl/Day	33 043	16 349	4 992	8 867	230 305	117 228	39 181	60 280
Inventory consumed - Water Billed (Authorised)	1 014 195	501 810	153 215	272 155	6 997 277	3 564 309	1 192 126	1 830 537
Inventory consumed - Water Unbilled (Authorised)	10 142	5 018	1 532	2 722	69 973	35 643	11 921	18 305
Non Revenue Water (Water Loss)	678 177	1 607 104	830 897	58 570	5 713 196	10 923 968	5 555 135	340 095
Kl/Day	21 877	51 842	26 803	1 889	185 909	355 856	180 888	11 113
Water Losses:Apparent Losses:Customer Meter Inaccuracies	61 036	144 639	74 781	5 271	514 188	983 157	499 962	30 609
Water Losses:Apparent Losses:Unauthorized Consumption (Theft)	33 909	80 355	41 545	-	285 660	546 198	277 757	192
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	27 466	65 088	33 651	2 519	231 384	442 421	224 983	14 614
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	156 557	371 000	191 813	14 356	1 318 891	2 521 798	1 282 403	83 303
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	365 300	865 666	447 563	33 496	3 077 413	5 884 195	2 992 274	194 373
Water Losses:Data Transfer and Management Errors	33 909	80 355	41 545	2 929	285 660	546 198	277 757	17 005
Non Revenue Water (% Loss - Water Inventory)	39,8%	76,0%	84,3%	17,6%	44,7%	75,2%	82,2%	15,5%
Total Water Inventory (Consumed plus losses)	1 702 514	2 113 932	985 644	333 447	12 780 446	14 523 920	6 759 183	2 188 938

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2024/2025	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 542 822 400	1 470 051 500	1 375 543 716	93,57%
Service Charges – Water revenue	643 500 000	390 755 100	320 685 252	82,07%
Service charges - Waste Water Management	132 281 600	76 578 200	78 263 359	102,20%
Service charges - Waste management	120 401 900	70 145 800	72 742 763	103,70%
Sale of Goods and Rendering of Services	75 525 600	44 056 600	20 595 658	46,75%
Agency services	8 364 800	4 879 467	5 179 570	106,15%
Interest earned from Receivables	29 400	17 150	2 132	12,43%
Interest from Current and Non Current Assets	45 000 000	26 250 000	20 823 673	79,33%
Rent on Land	1 911 700	1 115 158	1 143 059	102,50%
Rental from Fixed Assets	19 840 400	11 573 567	7 348 893	63,50%
Operational Revenue	11 627 000	6 782 417	14 443 074	212,95%
Non-Exchange Revenue				
Property rates	778 223 600	471 362 700	465 804 422	98,82%
Surcharges and Taxes	6 207 900	3 621 275	5 019 057	138,60%
Fines, penalties and forfeits	12 283 600	7 165 433	3 439 453	48,00%
Licence and permits	3 631 700	2 118 492	2 173 657	102,60%
Transfers and subsidies - Operational	587 345 000	342 617 917	434 495 371	126,82%
Interest	870 000	507 500	1 229 809	242,33%
Other Gains	27 840 600	16 240 350	16 307 035	100,41%
Gains on disposal of Assets	-	-	10 792 174	0,00%
Gains - Water Inventory	581 744 600	339 351 017	346 271 262	102,04%
TOTAL OPERATING REVENUE	5 599 451 800	3 285 189 642	3 202 303 388	97,48%
LESS: EQUITABLE SHARE				
Equitable Share Received in Advance	-	-	(92 708 250)	0,00%
TOTAL REVENUE	5 599 451 800	3 285 189 642	3 109 595 138	94,65%

The above table represents operating revenue per category as at 31 January 2025.

3.7 Surplus and Deficit by Function

FUNCTION	ADOPTED BUDGET 2024/25			ACTUAL AS AT 31 JANUARY 2025		
	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)	1 337 208	28 412 264	(27 075 056)
Finance and Administration	1 070 304 900	174 702 500	895 602 400	633 929 960	144 575 744	489 354 216
Internal Audit	27 400	175 900	(148 500)	15 925	(2 496 217)	2 512 142
Community and Social Services	18 143 100	150 173 900	(132 030 800)	15 283 582	84 257 743	(68 974 161)
Sport and Recreation	13 277 000	223 320 200	(210 043 200)	6 556 585	125 231 438	(118 674 853)
Public Safety	11 362 000	224 135 300	(212 773 300)	3 957 608	106 023 016	(102 065 408)
Housing	71 028 900	94 938 900	(23 910 000)	16 126 925	30 223 191	(14 096 266)
Health	-	7 182 200	(7 182 200)	-	4 265 021	(4 265 021)
Planning and Development	14 425 600	102 513 500	(88 087 900)	14 618 035	56 618 789	(42 000 754)
Road Transport	15 899 700	309 858 600	(293 958 900)	9 276 476	179 496 064	(170 219 588)
Environmental Protection	65 800	8 279 000	(8 213 200)	207 962	4 184 443	(3 976 481)
Air Transport and other	9 403 200	33 299 900	(23 896 700)	5 927 616	20 663 608	(14 735 992)
Energy sources	2 600 886 100	2 373 236 500	227 649 600	1 411 291 907	1 401 392 243	9 899 664
Water management	1 287 663 300	1 279 646 700	8 016 600	781 388 728	805 253 300	(23 864 571)
Waste water management	254 798 100	347 627 800	(92 829 700)	150 920 427	209 205 323	(58 284 896)
Waste management	231 361 500	211 812 900	19 548 600	58 756 193	115 568 798	(56 812 605)
Total	5 599 451 800	5 589 918 300	9 533 500	3 109 595 137	3 312 874 767	(203 279 629)

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, only Energy Sources is making profit 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.

FLEET MANAGEMENT				
	ADOPTED BUDGET 2024/25	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
Revenue	3 215 000	1 875 417	230 883	12%
Expenditure	28 054 000	16 364 833	59 331 102	363%
Surplus/(Deficit)	(24 839 000)	(14 489 417)	(59 100 219)	
Capital	4 500 000	700 000	694 578	99%

Fleet expenditure is high in the month of January 2025; 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.

AIR TRANSPORT (AIRPORT)				
	ADOPTED BUDGET 2024/25	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JANUARY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
Revenue	9 616 500	5 609 625	5 730 267	102%
Expenditure	28 295 000	15 696 000	17 861 271	114%
Surplus/(Deficit)	(18 678 500)	(10 086 375)	(12 131 004)	
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	157 756 917
PAYE deductions	15 552 127
Pensions / Retirement deductions	14 040 584
Trade Creditors	23 391 681
Other	600
Total By Customer Type	210 741 909



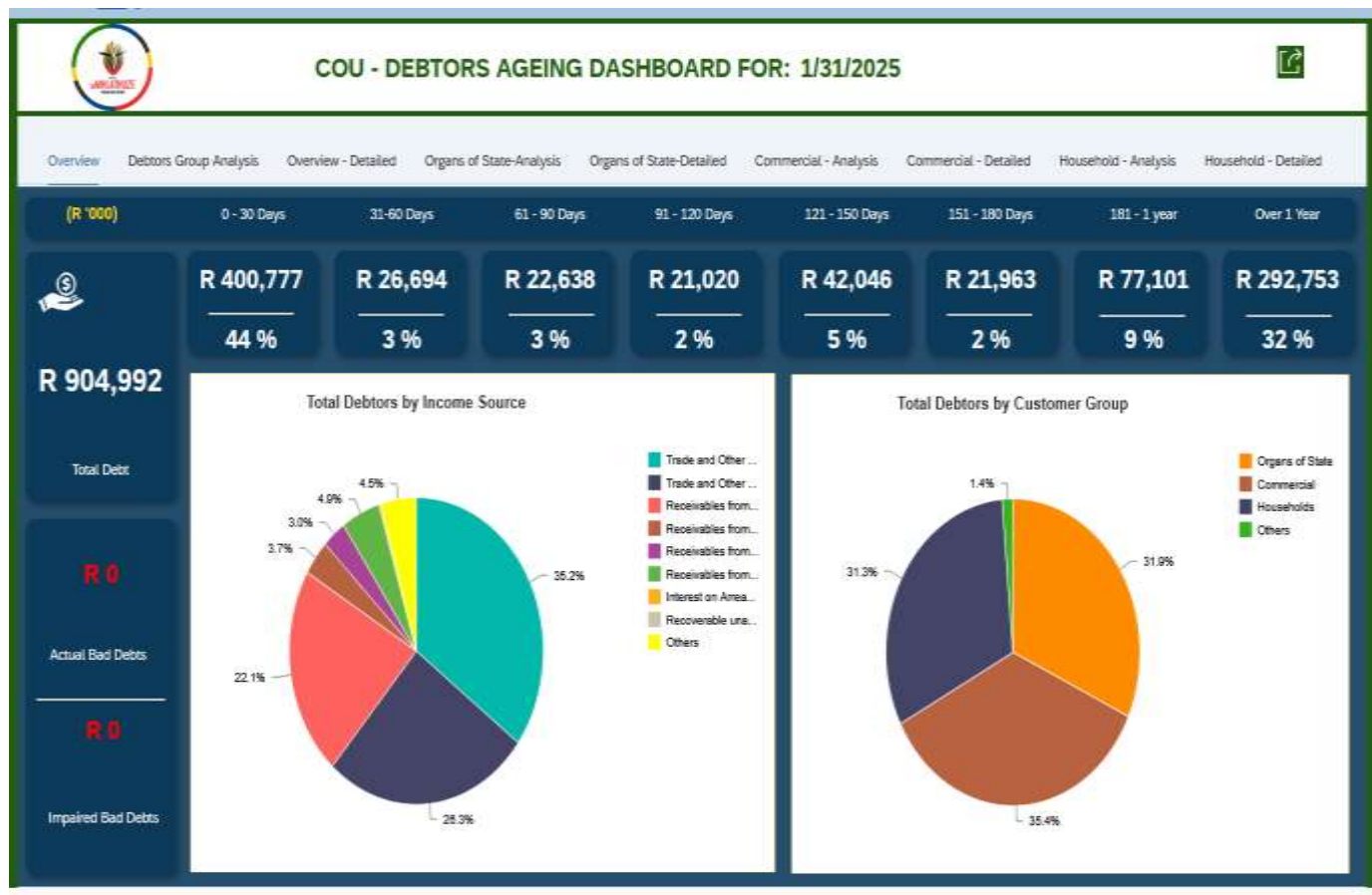
The above table represents the ageing of creditors outstanding as at 31 January 2025. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of January 2025 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	151 699 650	7 770 808	4 600 667	124 388 231	288 459 356
Business	186 797 573	7 383 950	6 883 764	119 511 810	320 577 098
Households	61 213 681	10 980 655	10 204 742	201 289 771	283 688 848
Other	1 065 797	558 659	948 830	9 693 554	12 266 840
Total	400 776 702	26 694 072	22 638 003	454 883 366	904 992 143
%	44,29%	2,95%	2,50%	50,26%	

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	12 Month Rolling %	Current Financial Year-to-date %	Month-to-Month %	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		96,27%	99,60%	97,83%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance end Jan 2025	717 294 584	717 294 584	717 294 584	
			Gross Debtors opening balance Febr 2024	627 499 254	614 250 181	711 174 181	
			Bad debts written Off Febr 2024 to Jan 2025	49 300 034	-	-	
			Billed Revenue Febr 2024 - Jan 2025	3 726 768 085	25 618 759 126	281 604 874	

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	12 Month Rolling %	INTERPRETATION
2	Net Debtors Days	30 days		43 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance end Dec 2024	717 294 584	
			Bad debts Provision / Impairment 2024 / 2025	274 732 500	
			Billed Revenue Febr 2024 - Jan 2025	3 726 768 085	

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
188345	STATE OWNED ENTITIES	2 108 230	1 746 653	2 169 347	4 331 610	27 943 050	38 298 890
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 590	22 377 590
531788	STATE OWNED ENTITIES	-	137	-	-	21 328 793	21 328 930
30000543	SUNDRIES AND OTHER	580 710	290 355	580 710	-	7 963 009	9 414 784
1153881	PRIVATE BUSINESS	69 094	35 295	141 628	80 653	7 372 362	7 699 031
416383	PRIVATE BUSINESS	85 344	85 344	85 344	170 688	6 971 109	7 397 828
2328365	STATE OWNED ENTITIES	-	-	-	-	6 496 650	6 496 650
1610626	PRIVATE BUSINESS	69 723	-	-	-	6 185 169	6 254 892
2369555	STATE OWNED ENTITIES	440 285	221 306	221 306	221 347	6 160 117	7 264 363
501543	STATE OWNED ENTITIES	133 938	171 252	88 941	131 289	5 603 603	6 129 023
		3 487 324	2 550 342	3 287 275	4 935 587	118 401 451	132 661 980

Payments from Government Departments & SOE's Jan 2025	
DEPARTMENT NAME	TOTAL
AGRICULTURE	17 617
EDUCATION	176 566
HEALTH	3 659 549
PUBLIC WORKS - NATIONAL	217 755
PUBLIC WORKS PROVINCIAL	5 722
PUBLIC WORKS NATIONAL SERV	3 933 696
SOCIAL WELFARE	222 517
TRANSPORT	3 350
ESKOM	139 506
FOSKOR (PTY) LTD	38 703 002
KCDM	9 488 716
HOUSING	102 641
MHLATUZE WATER BOARD	5 177 805
PORTS AUTHORITY	18 783 245
IDZ	3 606 338
POST OFFICE LTD	28 952
SARS	1 476
SCHOOLS	2 664 488
STATSSA	92 073
TELKOM SA LTD	728 861
TRANSNET FREIGHT	151 174
TRANSNET HOUSING	401 543
TRANSNET LIMITED	3 572 250
TVET COLLEGES	9 293 195
Total	101 172 038

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	5 364 531	559 010	468 008	303 405	2 498 022	9 192 976
Provincial	12 576 431	3 480 456	3 678 253	5 623 415	55 820 150	81 178 705
Government accounts in Dispute	12 596	6 298	6 298	6 298	761 046	792 536
National Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	4 901 050	354 031	263 485	91 555	1 097 499	6 707 619
SA Revenue Services	21 746	8 634	8 784	7 513	48 849	95 526
Stats SA	28 423	-	-	-	-	28 423
Dept of Agriculture and Rural Development & land Reform	62 180	22 219	22 303	22 261	726 956	855 920
Department of Water Affairs and Sanitation	351 131	174 126	173 437	182 075	624 718	1 505 488
	5 364 531	559 010	468 008	303 405	2 498 022	9 192 976
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	65 881	25 895	25 992	-197 866	10 092 509	10 012 411
Education	1 722 669	343 733	363 631	233 136	6 206 613	8 869 781
Tvet Colleges	3 520 177	2 754 065	3 164 627	5 410 315	34 595 028	49 444 213
Human Settlement	109 460	32 407	24 214	24 072	925 462	1 115 615
Department of Transport	351 553	56 300	14 730	14 468	185 999	623 051
Department of Health	6 679 887	191 155	17 169	98 361	3 814 539	10 801 113
Department of Social Welfare	126 804	76 900	67 888	40 929	-	312 521
	12 576 431	3 480 456	3 678 253	5 623 415	55 820 150	81 178 705
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	12 282 125	3 148 016	37 760	19 407	1 459 379	16 946 686
ESKOM	264 300	35 875	33 897	40 352	324 142	698 565
Ingonyama Trust Board	865 984	435 157	435 157	435 237	28 139 811	30 311 347
Telkom	609 314	850	1 636	1 754	-157 288	456 266
Foskor	27 634 036	17 428	-	-	-	27 651 464
SA Post Office	35 052	1 414	1 347	2 268	45 221	85 303
Richards Bay IDZ	3 159 929	-	-	-	-	3 159 929
Mhlathuze Water Board	6 263 756	233 400	233 054	232 530	22 956 500	29 919 239
King Cetshwayo District Municipality	8 874 543	171 252	88 941	131 289	5 603 603	14 869 628
	59 989 039	4 043 393	831 791	862 838	58 371 369	124 098 429

NOTES:

OFFICIAL FINAL VERSION

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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 155 303, 52 as per **Annexure AD - DMS 1723993**.
- Councillors’ debt amounts to R 46 747, 72 as per **Annexure AC - DMS 1723993**.

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 1723993**.

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

The following monthly budget statement tables (**DMS 1724580**) 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 1724580**) for the month ended 31 January 2025.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1724580**) for the month ended 31 January 2025.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1724580**) for the month ended 31 January 2025.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1724580**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1724580**) for the month ended 31 January 2025.

9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1724580**) for the month ended 31 January 2025.

10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 January 2025:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1724580**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1724580**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1724580**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1724580**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1724580**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1724580**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1724580**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1724580**).

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1724181 - 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.

DISCUSSION HELD AT THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 19 FEBRUARY 2025

The Committee deliberated the report and concern was raised regarding the outstanding debts if recouped would ensure that the budget is not set at a deficit. The debts raised by the Government Departments were a bone of contention and the Committee was advised that continuous engagements are underway to recover these debts. Likewise, with the TVET College and UNIZUL, disconnections were implemented which forced these institutes to make arrangements for the payment of services. The credit control measures are strictly implemented and services are disconnected should the parties fail to adhere to the arrangements. It bears noting that the district municipality is also under notice and credit control actions will be implemented should they fail to settle their debt or engage with the municipality.

Reference was also made to the Ingonyama Trust, which is one of the higher debtors and it was requested that this be dealt with earnestly taking into account the case lodged by Ethekewini Municipality and outcome thereof. The Committee was advised that a report regarding the Ingonyama Trust is being drafted and will be submitted once all relevant information has been finalised.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 January 2025, 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 1724580)**, be noted.