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FINANCIAL REPORT AS AT 31 MAY 2025 AND TARIFF AMENDMENT TO 2025/26 MTREF

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

PURPOSE

- To submit for noting the financial position of the uMhlathuze Municipality as at 31 May 2025 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).
- To submit for approval the new revised basic charge for electricity tariffs on pre-paid for domestic and small businesses based on Annexure C of the Adopted Budget 2025/2026.

IDP STRATEGIES, GOALS AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
SUSTAINABLE DEVELOPMENT GOALS:       		
STRATEGIES	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 financial related 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 May 2025 is included under **Annexures AA and AB (DMS 1748505)**.

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PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF MAY 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 May 2025, and the performance of the Municipality against its budget in line with the Adjusted Budget approved by Council on 27 February 2025. 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 May 2025 (year to date actual) shows a deficit of R207 million.

The performance in this area is **not acceptable nor sustainable**.

Capital Budget

Council is in the 11th month of the current financial year and capital expenditure is R437,2 million (72%). This is based on the System Budget of R605 million (Adjusted Budget R627 million). Water Service Infrastructure Grant has been reduced by R21 million from amended DORA issued in March 2025 after the 2024/25 Adjustment Budget was approved (see 3.4).

The performance in this area is **not 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 1,32:1 (Working Capital Cash in Bank against average monthly liabilities – R504 595 / R381 872). 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 May 2025:

DESCRIPTION	ADJUSTED BUDGET 2024/2025	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2025 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 338 039 747	4 873 608 450	4 807 765 216	98,65%
Expenditure	5 623 917 106	5 068 177 585	4 969 179 850	98,05%
Operating Surplus/(Deficit)	(285 877 359)	(194 569 135)	(161 414 633)	
Less:				
Equitable Share Received in Advance	-	-	(46 354 250)	
Net Operating Surplus/(Deficit)	(285 877 359)	(194 569 135)	(207 768 883)	

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 May 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: MAY, 2025



Operating Revenue (R '000)

5,599,452	Original Budget
5,338,040	Adjusted Budget
357,218	Monthly Actual
4,807,765	YTD Actual
4,876,075	YTD Budget
	System Budget

Operating Expenditure (R '000)

5,589,918	Original Budget
5,623,917	Adjusted Budget
434,177	Monthly Actual
4,969,180	YTD Actual
5,020,332	YTD Budget
5,623,917	System Budget

Capital Transfers & Subsidies (R '000)

219,003	Original Budget
227,008	Adjusted Budget
9,735	Monthly Actual
176,683	YTD Actual
192,377	YTD Budget
0	System Budget

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

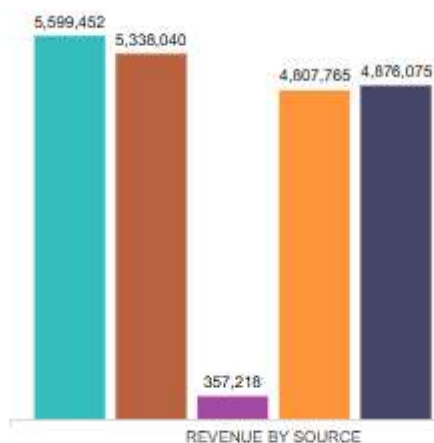
9,534	Original Budget
-285,877	Adjusted Budget
-76,959	Monthly Actual
-161,415	YTD Actual
-144,256	YTD Budget
	System Budget

Overview

Revenue & Expenditure Analysis

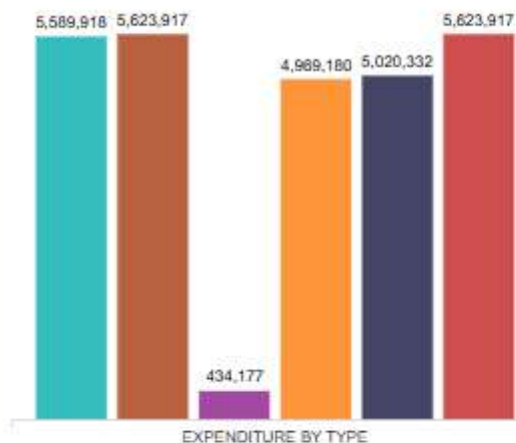
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

Operating Revenue (R '000)



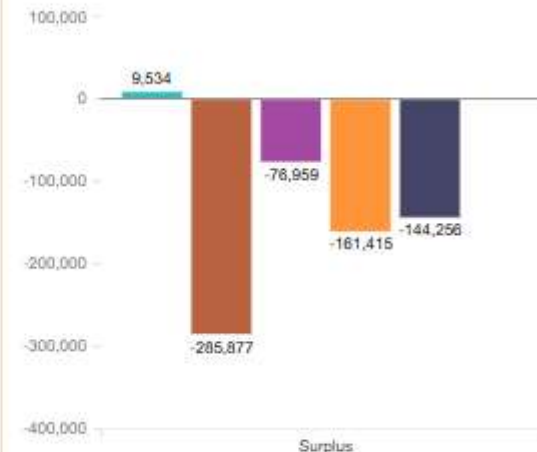
Original Budget
Adjusted Budget
Monthly Actuals
Year to Date Actuals
Year to Date Budget
Full Year Forecast

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

RPT 180632
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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 1,32:1 (R504 595/381 872).

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 May 2025 that figure should be R1 381 billion and not R505 million.

3.3 Grants Balances

DESCRIPTION OF GRANT	REVISED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 31/05/2025	ACTUAL EXPENDITURE AS AT 31/05/2025	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	556 251 000	556 251 000	509 896 750	92%	92%	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	152 438 000	152 438 000	122 461 457	80%	80%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 500 000	2 500 000	2 327 344	93%	93%	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	38 600 000	38 600 000	60 000 000	155%	155%	The original Budget for this grant was R 60 000 000, National Treasury issued an amended DORA on 25 March 2025 which reduced the allocation to R38 600 000. The budget of R 60 000 000 was fully spent as at 31 May 2025 therefore, the municipality ought to fund the shortfall of R 21 400 000 from own funding.
Extended Public Works Pogramme	2 437 000	2 437 000	1 959 165	80%	80%	The grant is for the operational expenditure for EPWP. Expenditure shown has been incurred in the period under review,
Integrated National Electrification Programme Grant	7 910 000	7 910 000	7 045 949	89%	89%	The grant is to address the electrification backlog of all exisiting and planned residential dwellings and to install all relevant bulk infrastructure.
Energy Efficiency and Demand Management	5 500 000	5 500 000	2 725 098	50%	50%	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.
TOTAL NATIONAL TREASURY GRANTS	765 636 000	765 636 000	706 415 763	92%	92%	

DESCRIPTION OF GRANT	REVISED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 31/05/2025	ACTUAL EXPENDITURE AS AT 31/05/2025	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	10 016 000	10 016 000	34 622 159	346%	346%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 124 000	2 124 000	1 818 985	86%	86%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	4 429 000	3 408 033	20 670 104	607%	467%	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	-	3 464 199	0%	1332%	The payment for the subsidy has been deferred to 2025/26 financial year. KZN DSAC advised that the memorandum of agreement was not concluded in time to process the payment in the current financial year.
TOTAL PROVINCIAL TREASURY GRANTS	16 829 000	15 548 033	60 575 447	390%	360%	
TOTAL GRANTS AND SUBSIDIES	782 465 000	781 184 033	766 991 209	98%	98%	

3.4 Capital Budget Summary

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

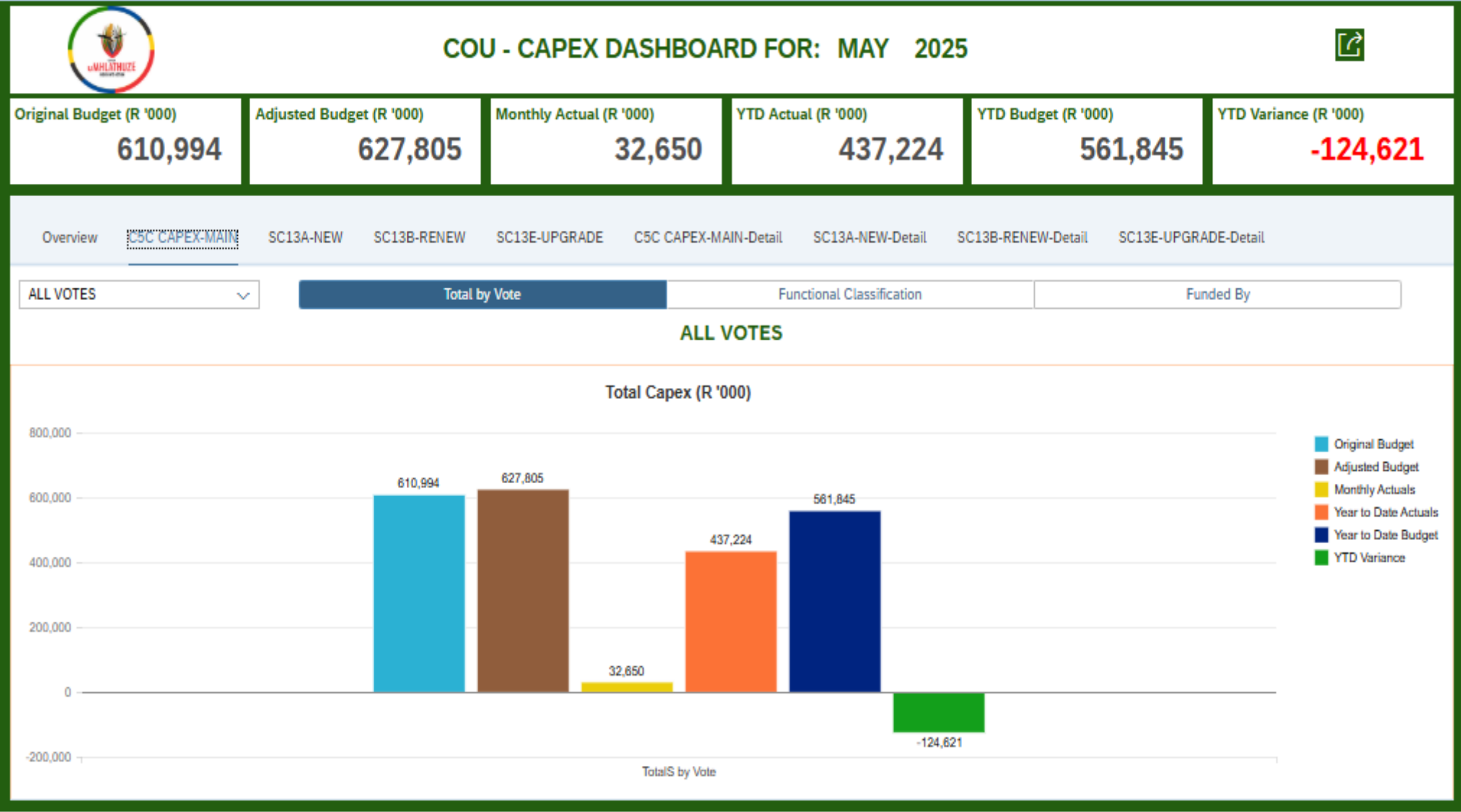
FUNCTION	ADJUSTED BUDGET 2024/2025	SYSTEM BUDGET 2024/25	ACTUAL MAY 2025 (YTD)	% OF SYSTEM BUDGET SPENT
	R	R	R	%
Mayor and Council	52 000	52 000	15 072	28,98%
Finance and Administration	65 842 700	65 234 200	26 692 035	40,92%
Community and Social Services	11 135 700	11 162 500	1 805 133	16,17%
Sport and Recreation	31 117 700	55 075 000	39 438 217	71,61%
Public Safety	675 000	374 600	-	0,00%
Housing	3 198 000	2 198 000	560 233	25,49%
Planning and Development	49 075 000	49 075 000	14 809 259	30,18%
Road Transport	94 418 400	99 013 700	77 872 070	78,65%
Environmental Protection	78 000	78 000	-	0,00%
Air Transport - Air port	12 399 000	12 700 000	11 918 950	93,85%
Energy Sources	76 690 300	60 914 800	33 539 860	55,06%
Water Management	202 882 200	167 229 100	157 860 820	94,40%
Waste Water Management	68 425 200	80 443 400	72 712 754	90,39%
Waste Management	11 816 000	1 830 000	-	0,00%
	627 805 200	605 380 300	437 224 403	72,22%

Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADJUSTED BUDGET 2024/2025	SYSTEM BUDGET	ACTUAL MAY 2025 (YTD)	% OF SYSTEM BUDGET SPENT
	R	R	R	%
Borrowing	380 157 400	380 157 400	247 488 972	65,10%
Capital Replacement Reserve	18 074 400	18 129 600	6 332 264	34,93%
Integrated Urban Development Grant	144 863 000	144 863 000	106 816 048	73,74%
Government Grants - National	81 512 600	58 172 600	75 279 346	129,41%
Government Grants - Provincial	632 500	1 423 400	613 195	43,08%
Public Contribution (Donation)	-	69 000	-	0,00%
Self Insurance Reserves	2 565 300	2 565 300	694 578	27,08%
TOTAL	627 805 200	605 380 300	437 224 403	72,22%

The change in total capital budget is as a result of a reduction of Water Service Infrastructure Grant that has been reduced by R21m from amended DORA issued in March 2025 after the 2024/25 adjustment budget was approved

Capital Expenditure by Vote (Departments)



3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2024/2025	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2025 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 197 348 600	1 074 821 171	1 042 144 620	96,96%
Remuneration of Councillors	38 433 400	33 728 022	31 024 307	91,98%
Bulk Purchases - Electricity	1 802 030 900	1 651 861 658	1 607 050 724	97,29%
Inventory consumed - Water	320 816 181	294 081 499	259 083 919	88,10%
Inventory consumed - Materials	165 164 619	151 400 901	148 916 809	98,36%
Debt Impairment	202 711 600	186 310 552	186 482 244	100,09%
Depreciation and asset impairment	352 759 106	322 887 639	320 462 594	99,25%
Finance Charges	184 846 100	169 442 258	178 522 466	105,36%
Contracted Services	584 436 100	472 887 592	432 787 449	91,52%
Transfers and Subsidies	6 432 000	5 896 000	1 826 462	30,98%
Irrecoverable debts written off	-	-	8 560 434	0,00%
Operational costs	398 934 100	365 689 592	321 605 129	87,94%
Losses - Water Inventory (note 1)	370 004 400	339 170 700	430 712 694	126,99%
TOTAL	5 623 917 106	5 068 177 585	4 969 179 850	98,05%

The above table represents operating expenditure per category as at 31 May 2025.

WATER LOSS OR NON REVENUE WATER BROKEN DOWN

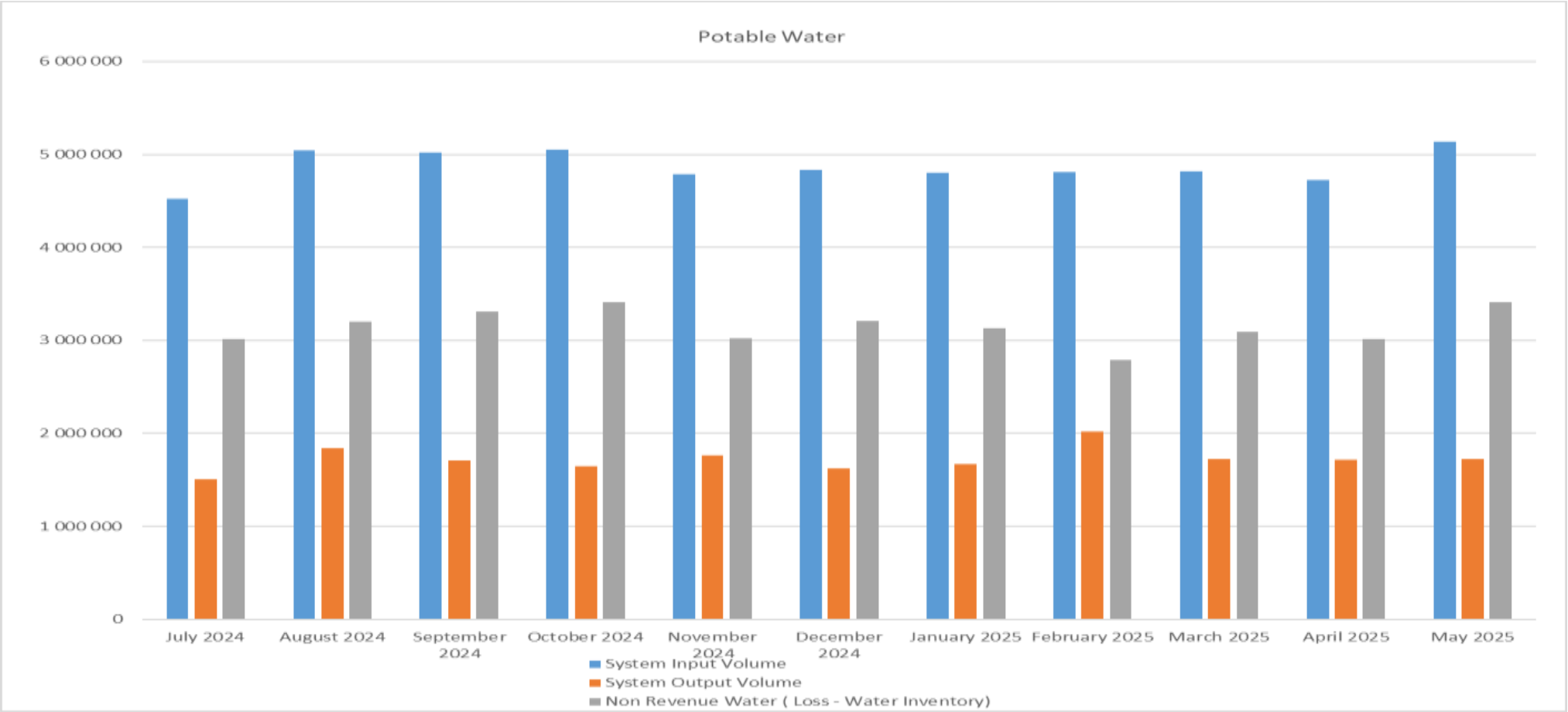
In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. In financial terms water is referred to as water inventory. This model is derived from the Internal Water 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	256 518 729	236 321 627	20 197 101
Inventory consumed - Water Unbilled (Authorised)	6 952 900	6 725 400	227 500	2 565 187	2 363 216	201 971
Total - Inventory consumed - Water	325 340 000	304 727 800	20 612 200	259 083 916	238 684 843	20 399 072
Non Revenue Water (Loss - Water Inventory)	369 949 800	367 816 800	2 133 000	430 603 872	426 297 416	4 306 456
% Loss - Water Inventory	53,2%	54,7%	9,4%	62,4%	64,1%	17,4%
Total Water Inventory (Consumed plus losses)	695 289 800	672 544 600	22 745 200	689 687 788	664 982 260	24 705 528

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	21 613 613	18 935 740	2 677 873
Inventory consumed - Water Unbilled (Authorised)	617 827	564 827	53 000	216 136	189 357	26 779
Total - Inventory consumed - Water	30 395 145	25 592 145	4 803 000	21 829 749	19 125 097	2 704 652
Non Revenue Water (Loss - Water Inventory)	31 387 591	30 890 591	497 000	34 819 889	34 230 845	589 044
Non Revenue Water (% Loss - Water Inventory)	50,8%	54,7%	9,4%	61,5%	64,2%	17,9%
Total Water Inventory (Consumed plus losses)	61 782 736	56 482 736	5 300 000	56 649 639	53 355 942	3 293 696

Potable Water Inventory - in Units (kl)											
Water Inventory	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025	March 2025	April 2025	May 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	4 806 008	4 818 062	4 727 427	5 138 146
System Output Volume	1 504 562	1 840 172	1 707 798	1 644 168	1 764 576	1 623 215	1 669 220	2 021 167	1 723 361	1 712 722	1 724 778
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	2 784 841	3 094 701	3 014 705	3 413 368



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

	May-25				YTD AS AT 31 May 2025			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
System Input (Purchased and Produced)	2 091 872	2 048 340	997 934	205 563	20 326 342	22 498 288	10 531 312	3 293 696
Kl/Day	67 480	66 075	32 191	6 631	667 997	738 898	345 820	108 410
System Out Put - Inventory Consumed	1 074 897	521 099	146 030	89 435	11 656 265	5 604 179	1 864 653	2 704 652
Kl/Day	34 674	16 810	4 711	2 885	383 947	184 362	61 316	89 266
Inventory consumed - Water Billed (Authorised)	1 064 255	515 939	144 584	88 549	11 540 857	5 548 692	1 846 192	2 677 873
Inventory consumed - Water Unbilled (Authorised)	10 643	5 159	1 446	885	115 409	55 487	18 462	26 779
Non Revenue Water (Water Loss)	1 016 975	1 527 241	851 904	116 128	8 670 077	16 894 109	8 666 659	589 044
Kl/Day	32 806	49 266	27 481	3 746	283 334	552 973	283 621	19 144
Water Losses:Apparent Losses:Customer Meter Inaccuracies	91 528	137 452	76 671	10 452	780 307	1 520 470	779 999	53 014
Water Losses:Apparent Losses:Unauthorised Consumption (Theft)	50 849	76 362	42 595	-	433 504	844 705	433 333	192
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	41 187	61 853	34 502	4 994	351 138	684 211	351 000	25 319
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	234 769	352 564	196 662	28 463	2 001 487	3 900 005	2 000 698	144 320
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	547 794	822 649	458 878	66 414	4 670 137	9 100 012	4 668 296	336 747
Water Losses:Data Transfer and Management Errors	50 849	76 362	42 595	5 806	433 504	844 705	433 333	29 452
Non Revenue Water (% Loss - Water Inventory)	48,6%	74,6%	85,4%	56,5%	42,7%	75,1%	82,3%	17,9%
Total Water Inventory (Consumed plus losses)	2 091 872	2 048 340	997 934	205 563	20 326 342	22 498 288	10 531 312	3 293 696

The table below seeks to demonstrate that the straight connections in both business and residential areas contribute a lot to water losses. Full list is available on **(DMS 1749779)**.

MAY 2025	STRAIGHT CONNECTIONS		
TOWN	BUSINESS	RESIDENTIAL	LEAKING METERS
Dube	10	1 167	4
Empangeni	152	463	37
Esikhaleni	10	96	12
Khoza	5	212	5
Madlebe	3	833	78
Mandlazini		47	
Mkhwanazi North	10	349	
Mzingazi		10	1
Ngwelezane	6	106	7
Nseleni	3	14	3
Richards Bay	129	114	37
Vulindlela	-	12	4
TOTALS	328	3 423	188

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2024/2025	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2025 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 348 456 700	2 123 069 216	2 108 331 003	99,31%
Service Charges – Water revenue	572 907 000	522 921 511	510 754 930	97,67%
Service charges - Waste Water Management	132 281 600	123 869 359	123 358 788	99,59%
Service charges - Waste management	120 401 900	112 508 963	114 311 797	101,60%
Sale of Goods and Rendering of Services	76 627 247	39 432 099	26 362 306	66,85%
Agency services	8 364 800	7 667 733	9 336 586	121,76%
Interest earned from Receivables	29 400	26 950	4 556	16,90%
Interest from Current and Non Current Assets	45 000 000	35 823 673	34 987 391	97,67%
Rent on Land	2 811 700	2 108 218	1 916 904	90,93%
Rental from Fixed Assets	16 264 500	11 677 859	11 507 539	98,54%
Operational Revenue	15 736 400	16 452 314	17 061 994	103,71%
Non-Exchange Revenue				
Property rates	778 223 600	707 069 622	696 695 680	98,53%
Surcharges and Taxes	7 832 900	7 180 158	7 917 684	110,27%
Fines, penalties and forfeits	5 313 500	4 870 708	7 623 759	156,52%
Licence and permits	3 631 700	3 333 713	3 344 310	100,32%
Transfers and subsidies - Operational	592 697 200	595 286 079	579 095 775	97,28%
Interest	1 870 000	1 519 809	1 633 049	107,45%
Other Gains	27 840 801	25 520 734	25 573 735	100,21%
Gains on disposal of Assets	-	-	12 656 614	0,00%
Gains - Water Inventory	581 748 799	533 269 732	515 290 815	96,63%
TOTAL OPERATING REVENUE	5 338 039 747	4 873 608 450	4 807 765 216	98,65%
LESS: EQUITABLE SHARE				
Equitable Share Received in Advance	-	-	(46 354 250)	0,00%
TOTAL REVENUE	5 338 039 747	4 873 608 450	4 761 410 966	97,70%

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

Below are comments on revenue:

Sales of goods and rendering of services

Sales of Goods and Rendering of Services - the service is below the target due to the housing grant not yet received.

3.7 Surplus and Deficit by Function

FUNCTION	ADJUSTED BUDGET 2024/25			ACTUAL AS AT 31 MAY 2025		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	806 000	59 087 425	(58 281 425)	1 631 940	31 112 768	(29 480 828)
Finance and Administration	1 073 971 300	273 939 079	800 032 221	967 380 139	251 313 593	716 066 546
Internal Audit	27 500	191 500	(164 000)	25 025	(1 182 741)	1 207 766
Community and Social Services	18 094 400	149 164 405	(131 070 005)	17 162 184	132 021 032	(114 858 848)
Sport and Recreation	13 277 400	225 880 856	(212 603 456)	11 344 436	194 559 752	(183 215 316)
Public Safety	8 048 600	226 593 428	(218 544 828)	6 237 612	167 023 074	(160 785 463)
Housing	72 744 000	96 379 953	(23 635 953)	17 861 287	40 080 018	(22 218 731)
Health	-	7 063 100	(7 063 100)	-	6 446 966	(6 446 966)
Planning and Development	15 812 800	103 750 433	(87 937 633)	17 317 749	84 999 738	(67 681 989)
Road Transport	15 899 900	296 594 036	(280 694 136)	15 703 146	273 981 581	(258 278 435)
Enviromental Protection	65 900	13 825 583	(13 759 683)	226 162	6 985 717	(6 759 555)
Air T ransport and other	5 315 300	35 612 791	(30 297 491)	5 202 712	31 567 410	(26 364 698)
Energy sources	2 408 520 900	2 309 105 195	99 415 705	2 165 636 587	2 056 155 777	109 480 810
Water management	1 217 070 800	1 270 749 340	(53 678 540)	1 083 266 047	1 209 813 324	(126 547 277)
Waste water management	256 423 300	351 521 682	(95 098 382)	237 470 654	306 054 063	(68 583 410)
Waste management	231 961 600	204 458 299	27 503 301	214 945 287	178 247 778	36 697 509
Total	5 338 039 700	5 623 917 106	(285 877 406)	4 761 410 966	4 969 179 850	(207 768 883)

NOTES:

OFFICIAL FINAL VERSION

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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, 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				
	ADJUSTED BUDGET 2024/25	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2025 (YTD)	% PRO-RATA ADUSTED BUDGET SPENT
Revenue	3 215 000	2 947 083	2 227 257	76%
Expenditure	33 703 367	30 894 753	96 989 420	314%
Surplus/(Deficit)	(30 488 367)	(27 947 670)	(94 762 163)	
Capital	9 955 500	9 125 875	10 551 380	116%

Fleet expenditure is high in the month of May 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.

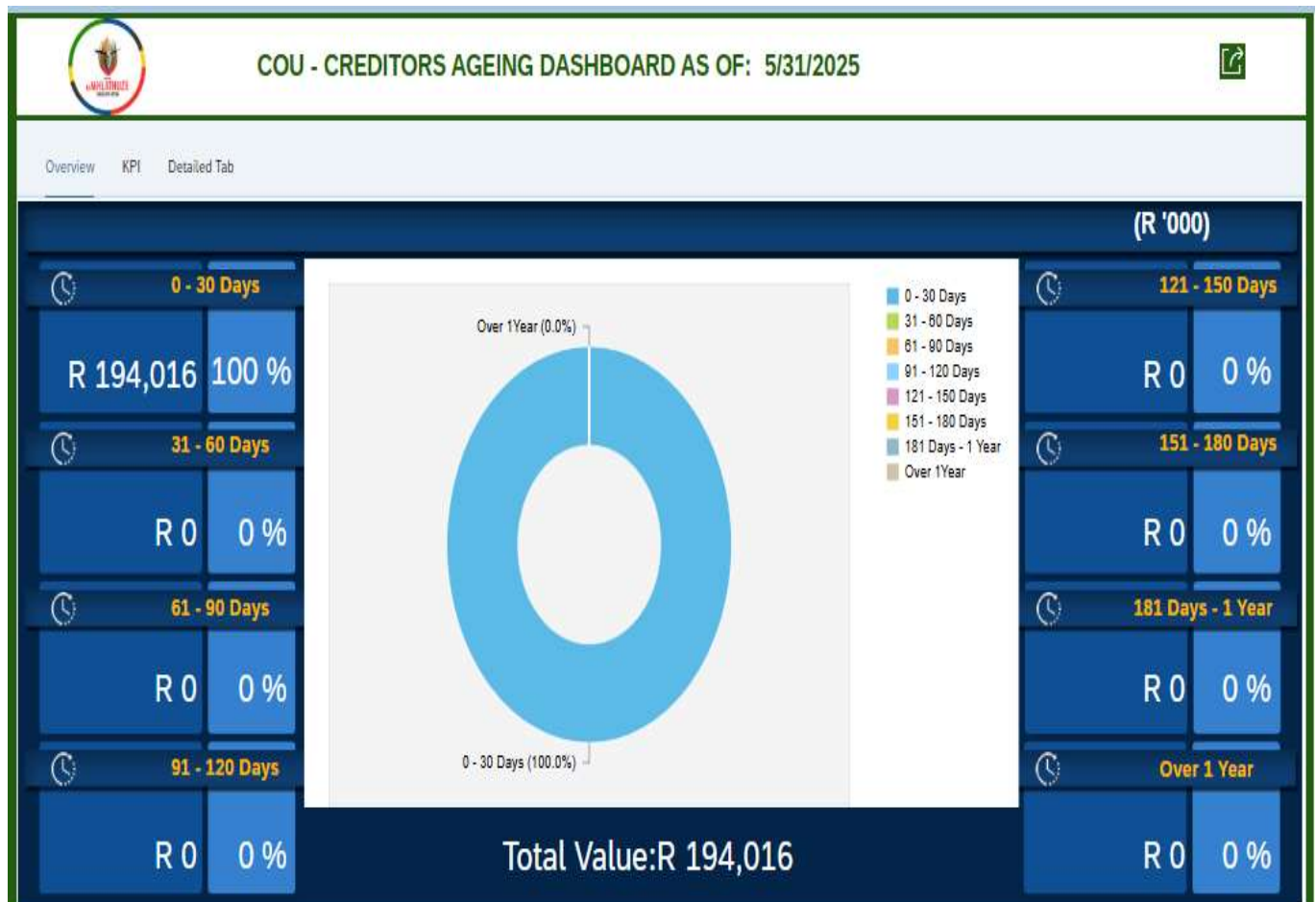
AIR TRANSPORT (AIRPORT)				
	ADJUSTED BUDGET 2024/25	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MAY 2025 (YTD)	% PRO-RATA ADUSTED BUDGET SPENT
Revenue	5 616 500	5 378 458	5 339 720	99%
Expenditure	30 625 991	28 073 825	26 440 242	94%
Surplus/(Deficit)	(25 009 491)	(22 695 366)	(21 100 521)	
Capital	3 999 000	3 665 750	391 745	11%

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	135 598 430
PAYE deductions	15 584 284
Pensions / Retirement deductions	14 486 482
Trade Creditors	22 393 879
Total By Customer Type	188 063 075



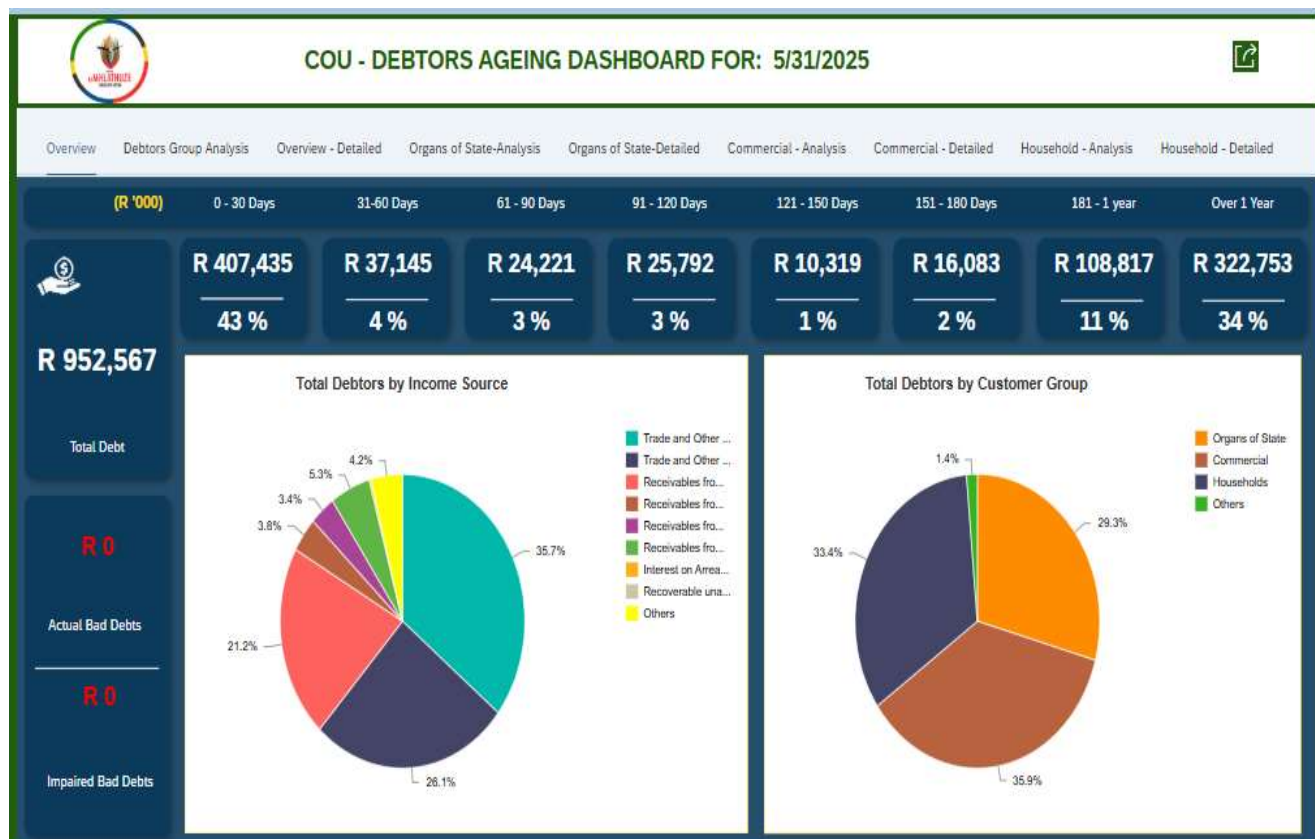
The above table represents the ageing of creditors outstanding as at 31 May 2025. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of May 2025 is **27 days**.

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	152 051 200	11 761 309	4 829 844	110 391 124	279 033 477
Business	190 313 894	12 049 675	7 388 889	132 527 126	342 279 584
Households	64 053 807	12 777 499	11 654 174	229 296 856	317 782 337
Other	1 016 331	556 790	348 395	11 549 596	13 471 112
Total	407 435 232	37 145 274	24 221 302	483 764 702	952 566 510
%	42,77%	3,90%	2,54%	50,79%	

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'S					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	12 Month Rolling %	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		95,02%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance end May 2025	761 930 243	
			Gross Debtors opening balance June 2024	614 250 181	
			Bad debts written Off June 2024 to May 2025	49 300 034	
			Billed Revenue June 2024 - May 2025	3 955 658 882	

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					
2	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) x 365	30 days		45 days
				Gross Debtors closing balance end March 2025	761 930 243
				Bad debts Provision / Impairment 2024 / 2025	274 732 500
				Billed Revenue June 2024 - May 2025	3 955 658 882

Top Ten Debtors

TOP 10 DEBTORS							
Contract Account	Consumer Type	0-30 days	31-60 Days	61-90 Days	91-120 Days	121+ Days	Total
188345	STATE OWNED ENTITIES	1 465 070	1 804 607	2 334 071	4 304 691	17 917 162	27 825 600
1854904	PRIVATE BUSINESS	-	-	-	-	22 333 088	22 333 088
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 930	21 328 930
30000543	PRIVATE BUSINESS	792 710	290 355	290 355	290 355	9 124 429	10 788 204
2369555	STATE OWNED ENTITIES	440 240	219 025	221 215	219 025	7 045 338	8 144 842
1153881	PRIVATE BUSINESS	69 094	69 094	0	34 547	7 650 505	7 823 239
416383	PRIVATE BUSINESS	85 344	85 344	85 344	170 688	7 312 484	7 739 203
2367149	STATE OWNED ENTITIES	377 219	187 671	189 548	187 671	6 036 796	6 978 906
2328365	STATE OWNED ENTITIES	-	-	-	-	6 496 650	6 496 650
1610626	PRIVATE BUSINESS	-	-	-	69 723	6 185 169	6 254 892
		3 229 676	2 656 095	3 120 533	5 276 700	111 430 551	125 713 555

Government Debt

Government debtors shown as follows:

Government Departments - Summary of ALL Debt						
Government Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	7 733 057	3 094 099	1 091 083	344 812	3 089 239	15 352 291
Provincial	8 012 829	2 305 349	2 816 763	4 942 053	43 817 657	61 894 652
Government accounts in Dispute	12 596	6 298	6 298	6 298	786 238	817 728
National Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	7 238 065	2 881 958	858 891	140 099	856 975	11 975 987
SA Revenue Services	41 150	8 139	8 753	6 797	86 991	151 830
Stats SA	39 040	6 413	-	-	-	45 453
Dept of Agriculture and Rural Development & land Reform	62 314	22 862	22 219	22 310	815 392	945 097
Department of Water Affairs and Sanitation	352 488	174 727	201 220	175 606	1 329 881	2 233 923
	7 733 057	3 094 099	1 091 083	344 812	3 089 239	15 352 291
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	60 637	-216 973	26 739	26 418	9 973 357	9 870 178
Education	1 854 675	169 012	258 896	236 051	5 880 496	8 399 129
Tvet Colleges	2 830 377	2 155 438	2 484 006	4 642 343	22 933 923	35 046 087
Human Settlement	110 902	43 301	27 127	24 640	965 732	1 171 701
Department of Transport	364 922	70 905	17 976	12 601	240 924	707 329
Department of Health	2 543 456	10 886	2 019	-	3 823 225	6 379 586
COGTA	-	-	-	-	-	-
Department of Social Welfare	247 862	72 781	-	-	-	320 643
SANRAL	-	-	-	-	-	-
	8 012 829	2 305 349	2 816 763	4 942 053	43 817 657	61 894 652
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	11 663 876	3 029 242	314 792	-811 397	1 996 273	16 192 785
ESKOM	193 928	40 451	8 317	2 684	116 058	361 438
Telkom	500 246	925	945	967	34 157	537 240
Foskor	33 539 090	19 602	-	-	-	33 558 692
SA Post Office	37 935	4 378	2 737	3 651	50 725	99 426
Richards Bay IDZ	2 190 758	-50 418	-	-	-	2 140 340
Mhlathuze Water Board	2 891 577	236 012	233 264	233 264	23 892 412	27 486 528
King Cetshwayo District Municipality	8 974 391	127 770	111 115	239 019	1 721 138	11 173 433
	59 991 800	3 407 962	671 169	-331 813	27 810 762	91 549 881
Ingonyama Trust Board	865 891	431 213	434 979	430 916	29 880 130	32 043 128

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 R160 150,83 as per **Annexure AD - DMS 1748505**.
- Councillors’ debt amounts to R39 644,67 as per **Annexure AC - DMS 1748505**.

3.12 MFMA Circular No 71 Uniform Financial Ratios

The MFMA Circular 71 contained on **DMS 930606** 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 1748505**.

3.13 **Tariff Amendment to 2025/26 MTREF**

The 2025/2026 Medium Term Revenue and Expenditure Framework (RPT 180492) was adopted on 29 May 2025 with electricity tariffs as per Annexure C (DMS 1737602). However, on 19 June 2025 (l.a.w CR17971) NERSA provided revised draft electricity tariffs (DMS 1753429) which are different to those in the aforementioned report. A new document (DMS 1751228) has been prepared with these amendments.

In the main the changes are as a result of the basic charge for electricity which needed to be considered by NERSA before implementation. These changes do not amend the budget which was approved by Council on 29 May 2025.

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

The following monthly budget statement tables (**DMS 1748504**) 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 1748504**) for the month ended 31 May 2025.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1748504**) for the month ended 31 May 2025.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1748504**) for the month ended 31 May 2025.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1748504**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1748504**) for the month ended 31 May 2025.

9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1748504**) for the month ended 31 May 2025.

10. CAPITAL PROGRAMME PERFORMANCE

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1748504**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1748504**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1748504**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1748504**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1748504**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1748504**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1748504**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1748504**).

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1748781 - Annexure AE**.

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:

1. the financial position of the uMhlathuze Municipality as at 31 May 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 1748504**), be noted; and
2. the new revised tariffs of charges incorporating a new basic charge for electricity as per letter per NERSA correspondence on pre-paid for domestic and small businesses (**DMS 1751228**) under 3.13 be approved.