








18160
FINANCIAL REPORT AS AT 31 JULY 2025

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

PURPOSE

1. To submit to Council for noting the financial position of the uMhlathuze Municipality as at 31 July 2025 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).
2. To submit to Council for approval the installation of Pre-paid water meters to all residents of the City of uMhlathuze Municipality.

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 July 2025 is included under **Annexures AA and AB (DMS 1764665)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR’S REPORT FOR THE MONTH OF JULY 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 July 2025, and the performance of the Municipality against its budget in line with the Adopted Budget approved by Council on 29 May 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 July 2025 (year to date actual) shows a surplus of R63,7 million.

The performance in this area is **acceptable**.

Capital Budget

Council is in the first month for the current financial year and capital expenditure is R6,8 million (1.29 %). This is based on the Adopted Budget of R457 million.

The performance in this area is **not acceptable**. However, this low expenditure is expected due to various year end processes.

Cash Flow

In terms of Council's Adopted Working Capital Policy, the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 0,83:1 (Working Capital Cash in Bank against average monthly liabilities – R375 984/R453 434).

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 July 2025:

DESCRIPTION	ADOPTED BUDGET 2025/2026	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 862 916 600	695 555 700	714 959 235	102,79%
Expenditure	6 008 928 300	576 506 700	455 981 741	79,09%
Operating Surplus/(Deficit)	(146 011 700)	119 049 000	258 977 493	
Less:				
Equitable Share Received in Advance	-	-	(195 294 333)	
Net Operating Surplus/(Deficit)	(146 011 700)	119 049 000	63 683 160	

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 July 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: JULY, 2025



Operating Revenue (R '000)

5,862,917	Original Budget
0	Adjusted Budget
714,959	Monthly Actual
714,959	YTD Actual
682,475	YTD Budget
5,862,917	System Budget

Operating Expenditure (R '000)

6,008,928	Original Budget
0	Adjusted Budget
455,982	Monthly Actual
455,982	YTD Actual
576,369	YTD Budget
6,008,928	System Budget

Capital Transfers & Subsidies (R '000)

227,359	Original Budget
0	Adjusted Budget
0	Monthly Actual
0	YTD Actual
99,459	YTD Budget
227,359	System Budget

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

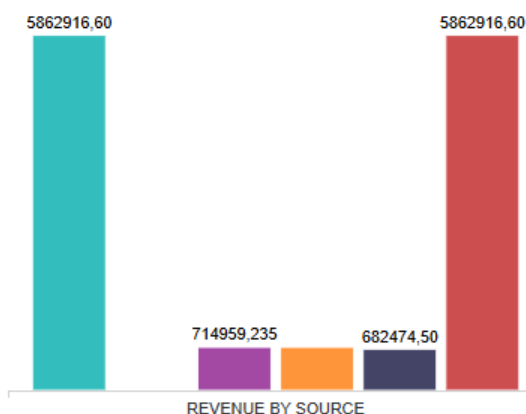
-146,012	Original Budget
0	Adjusted Budget
258,977	Monthly Actual
258,977	YTD Actual
106,106	YTD Budget
-146,012	System Budget

Overview

Revenue & Expenditure Analysis

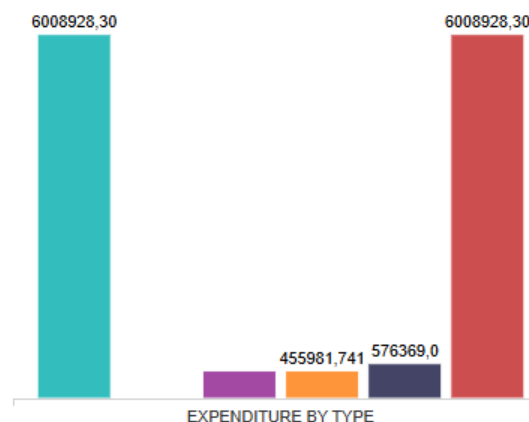
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

Operating Revenue (R '000)



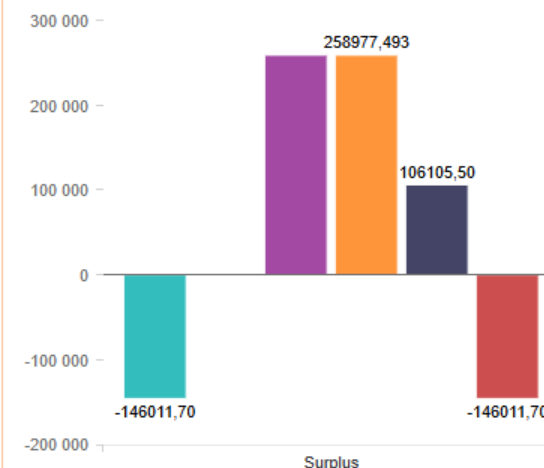
Original Budget
Adjusted Budget
Monthly Actuals
Year to Date Actuals
Year to Date Budget
Full Year Forecast

Operating Expenditure (R '000)



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

Surplus (R '000)



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

NOTES:

OFFICIAL FINAL VERSION

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3.2 Cash Flow Situation

Council’s Working Capital Policy:

In terms of Council’s Adopted Working Capital Policy, the objective is for the Working Capital to be **two (2) times** the average monthly creditors of the municipality. This ratio currently sits at 0,83:1 (R375 984 / R453 434).

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 July 2025 that figure should be R1 381 billion and not R375 million.

3.3 Grants Balances

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2025/26	AMOUNT RECEIVED AS AT 31/07/2025	ACTUAL EXPENDITURE AS AT 31/07/2025	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY					
Equitable Share	585 884 000	244 118 000	48 823 667	8%	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	156 505 000	117 379 000	-	0%	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	-	42 564	2%	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	70 129 000	30 000 000	-	0%	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	3 707 000	-	86 417	2%	The grant is for the operational expenditure for EPWP.
Integrated National Electrification Programme Grant	8 550 000	3 848 000	-	0%	The grant is to address the electrification backlog of all exisiting and planned residential dwellings and to install all relevant bulk infrastructure.
TOTAL NATIONAL TREASURY GRANTS	827 275 000	395 345 000	48 952 648	6%	

DESCRIPTION OF GRANT	ADOPTED GRANTS BUDGET 2025/26	AMOUNT RECEIVED AS AT 31/07/2025	ACTUAL EXPENDITURE AS AT 31/07/2025	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	10 464 000	-	3 274 035	31%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 320 000	-	188 083	8%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	4 429 000	-	4 139 443	93%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	283 000	-	333 974	118%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
TOTAL PROVINCIAL TREASURY GRANTS	17 496 000	-	7 935 535	45%	
TOTAL GRANTS AND SUBSIDIES	844 771 000	395 345 000	56 888 183	7%	

Subsequent to the Finance Services Portfolio Committee meeting held on the 23 July 2025, letters under the hand of the CFO were sent to the Provincial Departments of Human Settlements and Sports, Arts and Culture requesting that the department consider increasing the subsidy allocated. To date no response has been received from Province.

3.4 Capital Budget Summary

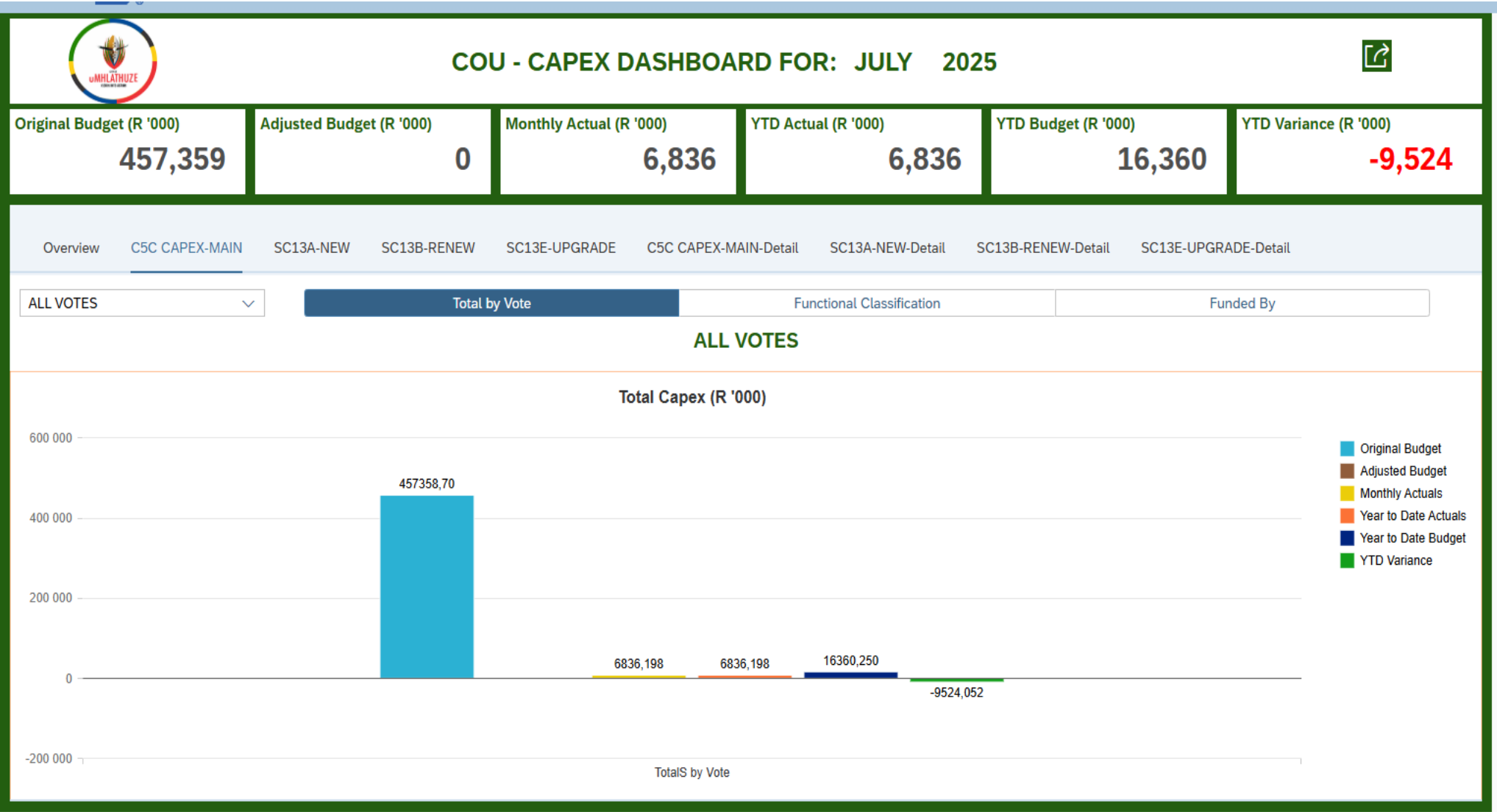
The table below represents Capital Expenditure incurred as at 31 July 2025:

FUNCTION	ADOPTED BUDGET 2025/2026	SYSTEM BUDGET 2025/26	ACTUAL JULY 2025 (YTD)	% OF SYSTEM BUDGET SPENT
	R	R	R	%
Mayor and Council	-	-	-	0,00%
Finance and Administration	22 940 300	32 376 900	(256 661)	-0,79%
Community and Social Services	8 878 000	16 235 100	-	0,00%
Sport and Recreation	28 922 800	40 080 400	-	0,00%
Public Safety	812 600	812 600	-	0,00%
Housing	2 801 000	3 638 300	-	0,00%
Planning and Development	43 000 000	63 728 700	-	0,00%
Road Transport	52 507 500	59 965 300	-	0,00%
Environmental Protection	333 000	333 000	-	0,00%
Air Transport - Air port	1 685 100	10 592 200	-	0,00%
Energy Sources	49 110 900	49 110 900	-	0,00%
Water Management	179 534 200	179 362 700	-	0,00%
Waste Water Management	59 349 300	65 729 300	7 092 859	10,79%
Waste Management	7 484 000	7 484 000	-	0,00%
	457 358 700	529 449 400	6 836 198	1,29%

Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADOPTED BUDGET 2025/2026	ROLL-OVERS 2024/2025	SYSTEM BUDGET 2025/2026	ACTUAL JULY 2025 (YTD)	% OF SYSTEM BUDGET SPENT
	R	R	R	R	%
Borrowing	210 000 000	65 405 300	275 405 300	6 836 198	2,48%
Capital Replacement Reserve	20 000 000	4 815 500	24 815 500	-	0,00%
Integrated Urban Development Grant	148 679 700	-	148 679 700	-	0,00%
Government Grants - National	78 679 000	-	78 679 000	-	0,00%
Self Insurance Reserves	-	1 869 900	1 869 900	-	0,00%
TOTAL	457 358 700	72 090 700	529 449 400	6 836 198	1,29%

Capital Expenditure by Vote (Departments)



3.5 Expenditure per Category

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

EXPENDITURE BY TYPE	ADOPTED BUDGET 2025/2026	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 328 010 900	111 664 100	98 124 452	87,87%
Remuneration of Councillors	41 752 900	3 479 400	2 832 369	81,40%
Bulk Purchases - Electricity	2 034 473 900	254 401 900	165 054 226	64,88%
Inventory consumed - Water	295 011 100	24 584 100	24 562 971	99,91%
Inventory consumed - Materials	149 979 800	12 498 300	16 607 363	132,88%
Debt Impairment	225 086 500	18 686 200	18 246 400	97,65%
Depreciation and asset impairment	342 631 500	28 917 900	28 539 608	98,69%
Finance Charges	191 420 000	15 951 700	15 974 681	100,14%
Contracted Services	492 958 400	35 130 900	9 645 900	27,46%
Transfers and Subsidies	7 293 300	134 800	16 000	11,87%
Irrecoverable debts written off	-	-	922 558	0,00%
Operational costs	426 930 400	33 329 100	37 379 624	112,15%
Loss on Disposal of Land	-	-	-	0,00%
Losses - Water Inventory (note 1)	473 379 600	37 728 300	38 075 589	100,92%
TOTAL	6 008 928 300	576 506 700	455 981 741	79,09%

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

WATER LOSS OR NON REVENUE WATER BROKEN DOWN

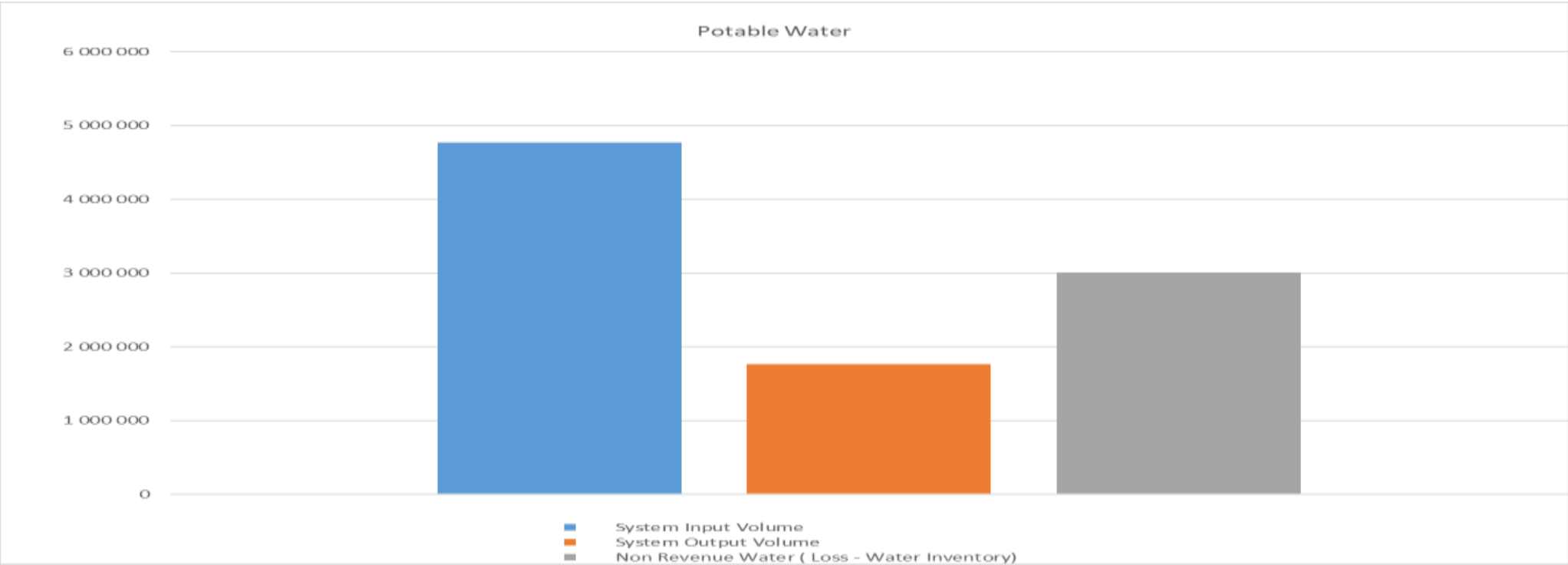
In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. In financial terms water is referred to as water inventory. This model is derived from the Internal Water 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)	287 327 200	264 065 800	23 261 400	24 319 773	22 453 781	1 865 992
Inventory consumed - Water Unbilled (Authorised)	7 683 900	7 413 500	270 400	243 198	224 538	18 660
Total - Inventory consumed - Water	295 011 100	271 479 300	23 531 800	24 562 971	22 678 319	1 884 652
Non Revenue Water (Loss - Water Inventory)	473 379 500	469 872 900	3 506 600	38 075 589	38 075 589	0
% Loss - Water Inventory	61,6%	63,4%	13,0%	60,8%	62,7%	0,0%
Total Water Inventory (Consumed plus losses)	768 390 600	741 352 200	27 038 400	62 638 559	60 753 907	1 884 652

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)	24 141 000	20 868 900	3 272 100	1 847 820	1 760 984	86 837
Inventory consumed - Water Unbilled (Authorised)	623 900	585 900	38 000	18 478	17 610	868
Total - Inventory consumed - Water	24 764 900	21 454 800	3 310 100	1 866 298	1 778 593	87 705
Non Revenue Water (Loss - Water Inventory)	37 627 000	37 133 700	493 300	2 986 156	2 986 156	0
Non Revenue Water (% Loss - Water Inventory)	60,3%	63,4%	13,0%	61,5%	62,7%	0,0%
Total Water Inventory (Consumed plus losses)	62 391 900	58 588 500	3 803 400	4 852 454	4 764 749	87 705

Potable Water Inventory - in Units (kl)	
Water Inventory	July 2025
System Input Volume	4 764 749
System Output Volume	1 760 984
Non Revenue Water (Loss - Water Inventory)	3 003 765



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

	Jul-25				YTD AS AT 31 July 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)	Total Potable		Clarified	
	KL	KL	KL	KL	KL	%	KL	%
System Input (Purchased and Produced)	1 864 514	1 916 772	983 463	87 705	4 764 749	100%	87 705	100%
Kl/Day	60 146	61 831	31 725	2 829	153 702		2 829	
System Out Put - Inventory Consumed	1 036 711	576 650	165 233	87 705	1 778 593	37%	87 705	100%
Kl/Day	33 442	18 602	5 330	2 829	57 374		2 829	
Inventory consumed - Water Billed (Authorised)	1 026 446	570 940	163 597	86 837	1 760 984		86 837	
Inventory consumed - Water Unbilled (Authorised)	10 264	5 709	1 636	868	17 610		868	
Non Revenue Water (Water Loss)	827 803	1 340 122	818 230	-	2 986 156	63%	-	0%
Kl/Day	26 703	43 230	26 395	-	96 636		26 395	
Water Losses: Total Apparent Losses	115 892	187 617	114 552	-	-	0%	114 552	131%
Water Losses: Total Real Losses	711 911	1 152 505	703 678	-	2 576 327	54%	703 678	802%
Non Revenue Water (% Loss - Water Inventory)	44,4%	69,9%	83,2%	0,0%	62,7%		0,0%	
Total Water Inventory (Consumed plus losses)	1 864 514	1 916 772	983 463	87 705	4 764 749	100%	87 705	100%

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADOPTED BUDGET 2025/2026	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 647 650 100	220 637 500	227 407 728	103,07%
Service Charges – Water revenue	638 791 300	42 691 500	40 528 627	94,93%
Service charges - Waste Water Management	141 541 300	11 795 100	12 480 667	105,81%
Service charges - Waste management	127 626 000	10 635 500	11 228 391	105,57%
Sale of Goods and Rendering of Services	72 919 300	1 042 200	7 773 239	745,85%
Agency services	8 364 800	673 900	713 670	105,90%
Interest earned from Receivables	29 400	7 400	-	0,00%
Interest from Current and Non Current Assets	45 000 000	3 750 000	2 645 909	70,56%
Rent on Land	2 924 200	211 900	171 955	81,15%
Rental from Fixed Assets	19 839 300	2 813 000	1 092 047	38,82%
Operational Revenue	15 823 700	735 200	2 864 221	389,58%
Non-Exchange Revenue				
Property rates	840 481 400	98 016 200	110 155 394	112,38%
Surcharges and Taxes	7 886 400	657 200	5 099 190	775,90%
Fines, penalties and forfeits	5 526 000	382 500	411 257	107,52%
Licence and permits	3 631 700	275 300	298 076	108,27%
Transfers and subsidies - Operational	621 195 300	248 155 800	244 681 723	98,60%
Interest	1 870 000	172 100	41 386	24,05%
Other Gains	43 425 700	3 618 808	3 614 200	99,87%
Gains on disposal of Assets	-	-	-	0,00%
Gains - Water Inventory	618 390 700	49 284 592	43 751 555	88,77%
TOTAL OPERATING REVENUE	5 862 916 600	695 555 700	714 959 235	102,79%
LESS: EQUITABLE SHARE				
Equitable Share Received in Advance	-	-	(195 294 333)	0,00%
TOTAL REVENUE	5 862 916 600	695 555 700	519 664 901	74,71%

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

The Revenue comments are as follows:

Sales of goods and rendering of services:

The variance is due to funds received from Human Settlements for the construction of houses.

Interest earned from Receivables:

Interest from staff is billed as and when there is money to be recovered from employees who were not successful in their studies.

Interest from Current and Non-Current Assets

There was no surplus cash for investments for the month of July 2025.

Rent on Land

The variance is due pending leases which could not be finalised on time for billing purposes. More Revenue anticipated in the future.

Rental from Fixed Assets

The system configuration has been finalised however the misalignment of GL's emanating from the fix between the modules is not yet finalised.

Operational Revenue

Fluctuations to be expected on this category due to the fact the line items are random in nature, Revenue is received as and when incidents take place. The following line items are budgeted for under this category:

- Insurance Refund Claims
- Discounts and early settlements
- Staff and Council Recoveries
- Incidental cash surpluses

Interest

The variance is due to effective credit control actions. More interest charges are anticipated this year from the billing of key customers.

The table below demonstrates the number of straight connections for various customers per town.

	MAY 2025 STRAIGHT CONNECTIONS			JUNE 2025 STRAIGHT CONNECTIONS			JULY 2025 STRAIGHT CONNECTIONS		
TOWN	BUSINESS	RESIDENTIAL	LEAKING METERS	BUSINESSES	RESIDENTIAL	LEAKING METERS	BUSINESSES	RESIDENTIAL	LEAKING METERS
Dube	10	1 167	4	10	2 024	3	29	2 024	3
Empangeni	152	463	37	191	545	19	191	466	16
Esikhaleni	10	96	12	11	108	24	12	98	23
Khoza	5	212	5	6	231	13	6	199	11
Madlebe	3	833	78	4	1 091	75	36	931	72
Mandlazi		47			59			41	
Mkhwanazi North	10	349		11	356	31	10	355	30
Mkhwanazi South				4	572	2	6	598	2
Mzingazi		10	1		12	2		9	
Ngwelezane	6	106	7	5	109	10	7	111	10
Nseleni	3	14	3	4	21		4	11	-
Richards Bay	129	114	37	133	118	40	133	95	35
Vulindlela	-	12	4	2	12	1	4	6	1
TOTALS	328	3 423	188	381	5 258	220	438	4 944	203

There is a slight decrease to the straight connections for domestic customers.

3.7 Surplus and Deficit by Function

FUNCTION	ADOPTED BUDGET 2025/2026			ACTUAL AS AT 31 JULY 2025		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	1 156 300	46 811 100	(45 654 800)	91 955	12 619 354	(12 527 399)
Finance and Administration	1 153 799 600	170 552 000	983 247 600	135 699 537	1 498 803	134 200 734
Internal Audit	67 900	148 700	(80 800)	5 600	(587 941)	593 541
Community and Social Services	20 086 500	162 083 800	(141 997 300)	590 929	11 237 409	(10 646 480)
Sport and Recreation	27 515 900	235 311 100	(207 795 200)	1 197 051	14 771 748	(13 574 696)
Public Safety	8 972 800	232 861 600	(223 888 800)	675 816	16 019 282	(15 343 466)
Housing	68 202 700	118 159 900	(49 957 200)	7 066 460	11 534 866	(4 468 406)
Health	86 800	6 911 400	(6 824 600)	7 200	508 564	(501 364)
Planning and Development	18 162 900	129 395 500	(111 232 600)	564 912	9 070 615	(8 505 703)
Road Transport	57 063 700	327 822 200	(270 758 500)	2 794 858	23 599 373	(20 804 514)
Environmental Protection	79 600	9 127 300	(9 047 700)	5 700	482 297	(476 597)
Air Transport and other	5 969 000	35 823 300	(29 854 300)	153 402	651 019	(497 617)
Energy sources	2 730 501 900	2 574 544 000	155 957 900	231 701 258	210 277 967	21 423 291
Water management	1 437 338 000	1 386 781 400	50 556 600	94 210 123	106 456 970	(12 246 847)
Waste water management	312 823 600	361 259 800	(48 436 200)	23 443 153	22 457 992	985 160
Waste management	248 448 100	211 335 200	37 112 900	21 456 946	15 383 424	6 073 522
Total	6 090 275 300	6 008 928 300	81 347 000	519 664 901	455 981 741	63 683 160

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 and Waste Management are making profit which is a huge concern (please see comments under point 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 2025/2026	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
Revenue	3 419 300	284 900	50 000	18%
Expenditure	17 740 500	1 478 300	8 224 667	556%
Surplus/(Deficit)	(14 321 200)	(1 193 400)	(8 174 667)	
Capital	9 554 000	796 167	-	0%

Fleet expenditure is high in the month of July 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 2025/2026	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2025 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
Revenue	5 842 200	486 850	146 289	30%
Expenditure	30 796 600	2 566 383	187 513	7%
Surplus/(Deficit)	(24 954 400)	(2 079 533)	(41 224)	
Capital	1 685 100	140 425	-	0%

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	189 812 360
PAYE deductions	-
Pensions / Retirement deductions	13 975 990
Trade Creditors	26 828 890
Other	-
Total By Customer Type	230 617 241



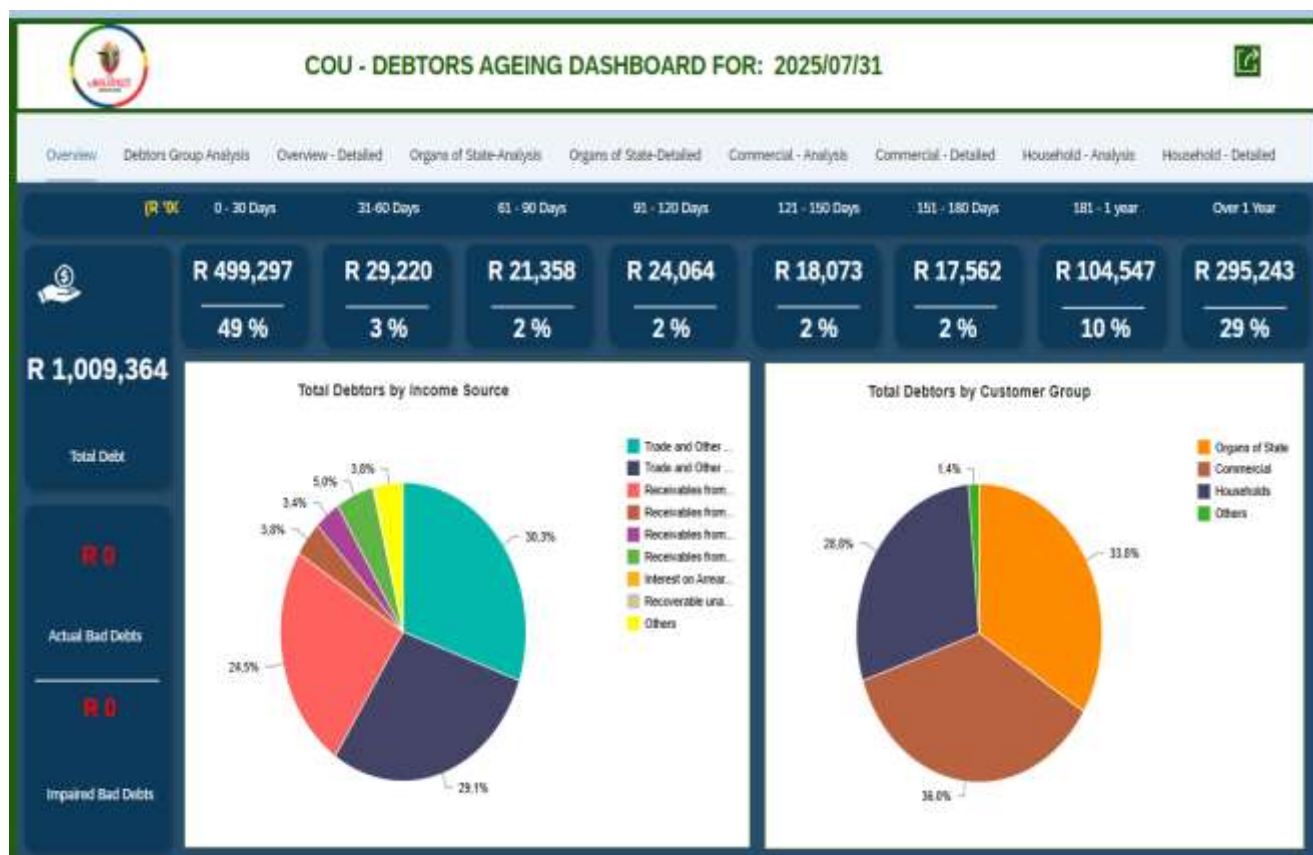
The above table represents the ageing of creditors outstanding as at 31 July 2025. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of July 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	218 431 674	8 312 146	5 290 228	109 232 566	341 266 615
Business	212 694 016	9 546 598	6 255 825	135 116 953	363 613 392
Households	67 189 164	10 951 590	9 427 438	202 794 853	290 363 044
Other	981 991	410 106	384 998	12 344 053	14 121 148
Total	499 296 845	29 220 440	21 358 489	459 488 424	1 009 364 199
%	49,47%	2,89%	2,12%	45,52%	

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%		97,44%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance end July 2025	811 480 312	
			Gross Debtors opening balance Aug 2024	748 184 935	
			Bad debts written Off Aug 2024 to July 2025	37 224 180	
			Billed Revenue Aug 2024 - July 2025	3 920 769 371	

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						
4	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) x 365	30 days		61	Please refer to page 6 of MFMA Circular No. 71
				Gross Debtors closing balance end July 2025	811 480 312	
				Bad debts Provision / Impairment 2024 / 2025	154 300 000	
				Billed Revenue July 2024 - June 2025	3 920 769 371	

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
		R	R	R	R	R	R
531788	STATE OWNED ENTITIES	0	0	0	0	21 328 930	21 328 930
188345	STATE OWNED ENTITIES	30 629 737	2 385 768	1 465 028	1 804 607	20 705 129	56 990 268
30000543	SUNDRIES AND OTHER	588 840	502 355	290 355	290 355	9 705 139	11 377 044
2369555	STATE AGRI INGONYAM	2 762 764	219 025	221 215	219 025	7 485 578	10 907 607
1153881	PRIVATE BUSINESS	70 061	34 547	34 547	69 094	7 073 664	7 281 912
2328365	STATE OWNED ENTITIES	948 860	0	0	0	6 496 650	7 445 510
2367149	STATE HOUSEHOLD PROV	2 367 280	187 671	189 548	187 671	6 414 016	9 346 186
1610626	PRIVATE BUSINESS	0	0	0	0	6 254 892	6 254 892
416383	PRIVATE BUSINESS	87 733	85 344	85 344	85 344	6 055 711	6 399 476
30004804	PRIVATE BUSINESS	44 269	48 966	48 976	48 976	5 531 995	5 723 182
		37 499 544	3 463 676	2 335 012	2 705 071	97 051 701	143 055 005

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	9 715 807	3 404 529	2 655 887	1 685 666	3 754 747	21 216 636
Provincial	50 106 786	3 006 881	1 687 326	2 111 060	43 529 391	100 441 445
Government accounts in Dispute	188 260	6 298	6 298	6 298	798 834	1 005 988
National Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	8 589 622	3 197 697	2 451 004	1 482 416	1 087 140	16 807 880
SA Revenue Services	18 079	8 800	5 863	5 661	102 541	140 943
Stats SA	21 757	0	0	0	0	21 757
Dept of Agriculture and Rural Development & land Reform	729 974	22 303	22 303	22 862	858 359	1 655 802
Department of Water Affairs and Sanitation	356 374	175 729	176 717	174 727	1 706 708	2 590 255
	9 715 807	3 404 529	2 655 887	1 685 666	3 754 747	21 216 636
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	3 694 212	26 275	25 561	-191 030	6 646 916	10 201 934
Education	2 122 106	163 382	169 219	148 804	5 788 962	8 392 473
Tvet Colleges	35 772 586	2 750 516	1 834 327	2 091 037	25 978 563	68 427 028
Human Settlement	766 078	32 407	35 362	43 997	1 019 704	1 897 548
Department of Transport	241 321	14 297	15 261	14 133	269 044	554 055
Department of Health	7 384 249	248 065	-392 403	2 453 955	3 826 203	13 520 069
COGTA	0	0	0	0	0	0
Department of Social Welfare	126 234	0	0	0	0	126 234
SANRAL	0	0	0	0	0	0
	50 106 786	3 234 942	1 687 326	4 560 896	43 529 391	103 119 342
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	13 624 345	884 968	15 726	-13 205	1 358 731	15 870 565
ESKOM	281 972	10 635	2 688	2 688	121 332	419 314
Telkom	812 292	1 416	1 448	925	36 069	852 150
Foskor	48 732 626	15 495	0	0	0	48 748 121
SA Post Office	38 640	1 347	1 347	1 405	54 340	97 079
Richards Bay IDZ	5 034 684	-880 200	-120 353	-50 418	0	3 983 714
Mhlathuze Water Board	3 751 272	233 264	233 264	3 482	21 336 053	25 557 334
King Cetshwayo District Municipality	9 461 147	293013,1	32638,06	127770,41	1 778 258,38	11 692 826,59
	81 736 978	559 937	166 757	72 648	24 684 783	107 221 103
Ingonyama Trust Board	7 800 561	430 912	434 979	431 213	30 745 858	39 843 522

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 **R231 155,56** as per **Annexure AD - DMS 1764665**.
- Councillors’ debt amounts to **R40 390,61** as per **Annexure AC - DMS 1764665**.

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 1764665**.

3.13 Prepaid Water Meters

Reference is made to RPT 177668 where the following was discussed at the Financial Services Portfolio Committee meeting held on 18 September 2024:

“The Committee deliberated the report and the ongoing meter installation challenges were raised impacting the rollout of the project. However, a procurement issue arose as following the tender process the bidders did not meet specifications. Despite this, meters currently in stock are being rolled out to continue the installation process. The Financial Services and Infrastructure Services Departments are working together to ensure progress in the water meter installation project.

Further discussion ensued and it was requested that Traditional Leaders, Councillors, and Officials in rural areas must be prioritised in the first phase of water meter installation. Their cooperation and understanding of the associated costs are crucial for successful rollouts. The decision to connect these key figures is designed to set a precedent and foster acceptance in the community. Indigent users and households with repeated debt issues will be prioritised for prepaid meter installations. This strategy is designed to prevent further debt accumulation and to ensure that households are only consuming and paying for what they can afford. The Administration was requested to ensure that the roll out of the project is coupled with education and communication efforts through public participation to ensure understanding and compliance.

Subsequent to the installation, the Municipality must monitor revenue collection and payment performance, using the data to adjust strategies for both debt management and meter installation.”

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

The following monthly budget statement tables (**DMS 1764751**) 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 1764751**) for the month ended 31 July 2025.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1764751**) for the month ended 31 July 2025.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1764751**) for the month ended 31 July 2025.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1764751**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1764751**) for the month ended 31 July 2025.

9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1764751**) for the month ended 31 July 2025.

10. **CAPITAL PROGRAMME PERFORMANCE**

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

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1764751**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1764751**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1764751**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1764751**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1764751**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1764751**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1764751**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1764751**).

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

Refer to **DMS 1764410 - Annexure AE**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

The monthly financial report is prepared in terms of Section 71 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003).

COMMENTS OF THE CHIEF FINANCIAL OFFICER

Refer to the Executive Summary contained in this report for comments.

COMMENTS OF THE CITY MANAGER

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

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 31 July 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 1764751**), be noted; and
2. it be noted that prepaid water meters be installed to all residents of the City of uMhlathuze Municipality, starting with Traditional areas, Councillors, Officials and the Indigent.