

17320

FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2024 (INTERIM)

This report is submitted directly to the Executive Committee.

PURPOSE

1. To submit to Council, the financial position of the uMhlathuze Municipality for the quarter ended 30 June 2024 (interim), as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). The monthly and quarterly requirements in terms of Sections 71, 72 and Section 52(d) respectively are included in this report.
2. To disclose to Council, the cost containment savings as required in terms of Regulation 15 of Municipal Cost Containment Regulations (MCCR).

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 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.

Section 52 (d) of the Municipal Finance Management Act prescribes that the Mayor of a Municipality must within thirty (30) days of the end of each quarter submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality.

The additional monthly reporting as required by Council is also included herein. The MFMA requires that the reporting of the budget (Annual, monthly, mid-year and adjustment) be in terms of a prescribed format.

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 has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out.

Furthermore, National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/11 Budget as well as the in-year reporting effective from January 2010.

The objectives of the budget formats 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 April 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 on 1 January 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 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.*
- (b) *service delivery targets and performance indicators for each quarter.”*

The Service Delivery and Budget Implementation Plan (SDBIP) have been segmented into five components. These are:

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AA - DMS 1665713**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1665713**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AK - DMS 1665713**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AL and AM - DMS 1665713**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AN - DMS 1665713**).

DISCUSSION

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 71 and Section 74 of the MFMA in both printed and electronic formats.

TABLE OF CONTENTS

PART 1 - IN-YEAR REPORTING	
1.	Mayoral Report
2.	Resolutions
3.	Executive Summary
3.1	Executive Summary - Operating Budget
3.2	Executive Summary - Cash Flow Situation
3.3	Executive Summary - Grants Balances
3.4	Executive Summary - Capital Budget Summary
3.5	Executive Summary - Expenditure per Category
3.6	Executive Summary - Revenue by Source
3.7	Executive Summary - Outstanding Creditors
3.8	Executive Summary - Debtors Age Analysis
3.9	Executive Summary - Employee Debt and Councillor Debt
3.10	Executive Summary – Financial Ratios
4.	Exception Reporting - Operating Expenses for Entire Municipality
4.1	Losses to Council Property
4.2	Proceeds on Land Sales
4.3	Cost Containment Policy
5.	In-year budget statement tables
PART 2 - SUPPORTING DOCUMENTATION	
6.	Supply Chain Management Policy
PART 3 - SUPPORTING DOCUMENTATION	
7.	Debtors' Analysis
8.	Creditors' Analysis
9.	Investment portfolio analysis
10.	Allocation and grant receipts and expenditure
11.	Councillor allowances and employee benefits
12.	Material variances to the Service Delivery and Budget Implementation Plan (SDBIP Component 5 Summary)
13.	Capital programme performance
14.	Municipal Manager's quality certification
PART 4 - OTHER LEGISLATIVE REQUIREMENTS	
15.	Withdrawals
16.	Criteria Assessment: Financial Problems at Municipalities in terms of Section 138 and Section 140 of the MFMA

PART 1 - IN-YEAR REPORTING

1. MAYORAL REPORT FOR THE MONTH OF JUNE 2024

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

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

The Mayor has considered the Section 71 report for the month of June 2024, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in 22 February 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 June 2024 (year to date actual) shows a deficit of R302,4 million (interim results). It must be noted that this deficit include revenue received from land sales to RBIDZ of R98 million, when excluding this revenue, the actual deficit is R401 million (see table 3.1 below). Land Sale to RBIDZ will be capitalised once all requirements are met. The actual result will reflect on the final report which is AFS. The performance in this area is **Not Acceptable.**

Capital Budget

Council is at the end of fourth quarter of the financial year and capital expenditure is at R793 million (95,17%). This is based on the Adjusted Budget (system budget) of R833,7 million. The performance in this area is **Acceptable from a municipal wide perspective, but the pockets of over and under expenditure needs to be curtailed.**

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 0,74:1 (Cash in Bank against average monthly liabilities – R269 487/R365 301). This is not a desirable ratio hoping to do better in the next financial year. Therefore, 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 executive level and highlights matters that are of particular importance from the Chief Financial Officer's perspective.

3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 30 June 2024:

DESCRIPTION	ADJUSTED BUDGET 2023/2024	ACTUAL JUNE 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Revenue (excl capital grants)	5 122 626 700	5 008 323 743	97,77%
Expenditure	5 286 027 200	5 310 768 200	100,47%
Operating Surplus/(Deficit)	(163 400 500)	(302 444 458)	
Less:			
Proceeds from Land Sales (IDZ)	-	(98 645 000)	
Net Operating Surplus/(Deficit)	(163 400 500)	(401 089 458)	

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

Although actual results as at 30 June 2024 shows a deficit of R302 million, there is a distortion to this deficit due to proceeds from sale of land to RBIDZ for the amount of R98 million which will be capitalised.

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 2024 (year to date).

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

A separate report (RPT 178592) is contained in this agenda highlighting the detail that give rise to this high risk situation.



COU - FINANCIAL PERFORMANCE DASHBOARD FOR: JUNE, 2024



Operating Revenue (R '000)

4,931,451	Original Budget
5,122,627	Adjusted Budget
430,888	Monthly Actual
5,008,324	YTD Actual
5,122,627	YTD Budget
5,122,627	System Budget

Operating Expenditure (R '000)

4,937,024	Original Budget
5,286,027	Adjusted Budget
612,657	Monthly Actual
5,310,768	YTD Actual
5,286,027	YTD Budget
5,286,027	System Budget

Capital Transfers & Subsidies (R '000)

218,836	Original Budget
218,530	Adjusted Budget
37,441	Monthly Actual
256,687	YTD Actual
218,530	YTD Budget
218,530	System Budget

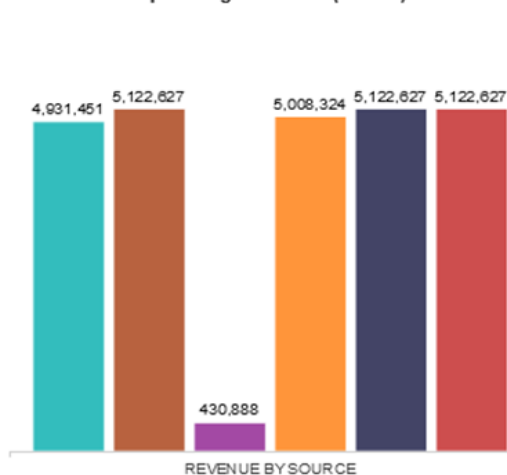
Surplus/(Deficit) for the year excluding Transfers & Subsidies (R '000)

-5,573	Original Budget
-163,401	Adjusted Budget
-181,769	Monthly Actual
-302,444	YTD Actual
-163,401	YTD Budget
-163,401	System Budget

Overview Revenue & Expenditure Analysis

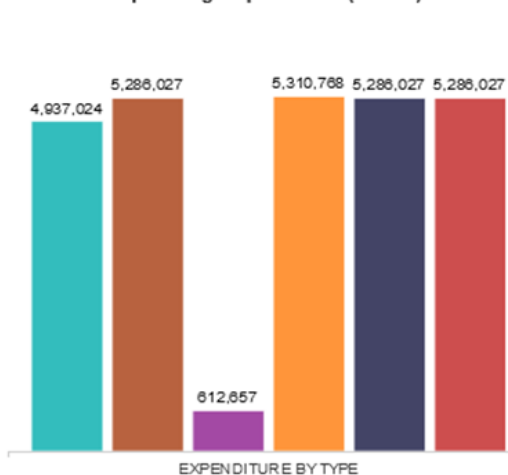
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

Operating Revenue (R '000)



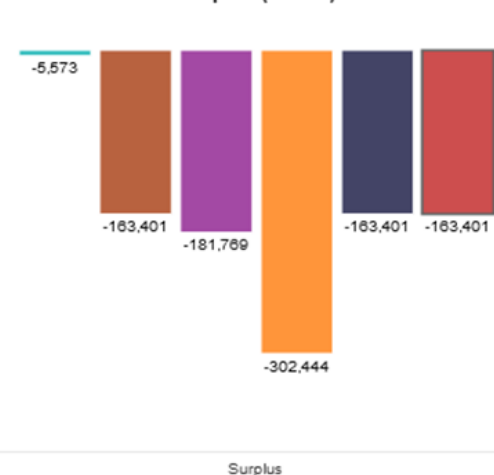
Original Budget
Adjusted Budget
Monthly Actuals
Year to Date Actuals
Year to Date Budget
Full Year Forecast

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 Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 0,74:1 (269 487/365 301).

As can be seen above, this is caused by gross over expenditure in certain functions of the Operating Budget and Capital Budget. A separate report is contained in this agenda (RPT 178592) highlighting the detail that give rise to this high risk situation.

3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2023/24 (2)	AMOUNT RECEIVED AS AT 30/06/2024	ACTUAL EXPENDITURE AS AT 30/06/2024	% EXPENDITURE TO AMOUNT RECEIVED	COMMENTS
NATIONAL TREASURY					
Equitable Share	520 860 000	520 860 000	520 860 000	100%	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	171 579 000	171 579 000	171 579 000	100%	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. An Additional allocation of 18 Million Rands has been received as per the amended DORA issued in March 2024.
Financial Management Grant	2 500 000	2 500 000	2 500 000	100%	The purpose of this grant is to promote and support reforms in financial mamagement by building capacity in municipalities to implement Finamace Management Act (MFMA). There will be significant improvement on expenditurein the last quarter.
Water services infrastructure grant	52 000 100	52 000 100	52 000 100	100%	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. An Additional allocation of 12 Million Rands has been received as per the amended DORA issued in March 2024.
Extended Public Works Pogramme	2 916 000	2 916 000	2 916 000	100%	The grant is for the operational expenditure for EPWP.This grant has been reduced with an amount of R 173 000 as per the amended DORA.Reductions are focused on grants and programmes where there has been significant underspending in recent years
Integrated National Electrification Programme Grant	13 840 000	13 840 000	13 840 000	100%	The grant is to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings.This grant has been reduced with an amount of R 160 000 as per the amended DORA issued in March 2024.
Municipal Disaster Recovery Grant	26 590 338	26 590 338	26 590 338	100%	The Grant is for reconstruction and rehabilitation of damaged municipal infrastructure due to the 2022 storms.The amount shown is the rollover of funds that has been fully granted by National Treasury into 2023/2024 financial year.
Energy Efficiency and Demand Management	5 000 000	5 000 000	5 000 000	100%	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. Most of the expenditure us planned for the third and last quarter.
TOTAL NATIONAL TREASURY GRANTS	795 285 438	795 285 438	795 285 437	100%	

DESCRIPTION OF GRANT		AMOUNT RECEIVED AS AT 30/06/2024	ACTUAL EXPENDITURE AS AT 30/06/2024	% EXPENDITURE TO AMOUNT RECEIVED	COMMENTS
PROVINCIAL TREASURY					
Provincialisation of Libraries	9 593 000	9 593 000	35 950 097	375%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 032 800	2 032 800	2 907 551	143%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	4 429 000	4 664 925	22 091 960	474%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	249 000	249 000	3 858 003	1549%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
TOTAL PROVINCIAL TREASURY GRANTS	16 303 800	16 539 725	64 807 610	392%	
				-	
TOTAL GRANTS AND SUBSIDIES	811 589 238	811 825 163	860 093 047	106%	

3.4 Capital Budget Summary

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

FUNCTION	ADJUSTED BUDGET 2023/2024	SUPPLEMENTS/ (RETURNS)	SYSTEM BUDGET 2023/24	ACTUAL JUNE 2024 (YTD)	% OF SYSTEM BUDGET SPENT
	R		R	R	%
Finance and Administration	64 434 300	300 000	64 734 300	23 638 966	36,52%
Community and Social Services	57 555 300	286 400	57 841 700	43 358 370	74,96%
Energy Sources	106 705 000	3 757 300	110 462 300	94 859 640	85,88%
Executive and Council	123 000	-	123 000	82 292	66,90%
Environmental Protection	4 578 800	-	4 578 800	4 443 921	97,05%
Air Transport - Air port	13 424 000	-	13 424 000	12 018 513	89,53%
Planning and Development	14 777 000	-	14 777 000	8 967 279	60,68%
Public Safety	1 565 000	-	1 565 000	997 837	63,76%
Road Transport	133 381 600	-	133 381 600	111 743 467	83,78%
Sport and Recreation	77 578 400	-	77 578 400	75 162 047	96,89%
Waste Management	7 530 000	-	7 530 000	1 936 068	25,71%
Waste Water Management	75 002 900	-	75 002 900	80 297 151	107,06%
Water Management	260 751 200	12 001 000	272 752 200	336 014 162	123,19%
	817 406 500	16 344 700	833 751 200	793 519 714	95,17%

The total adopted Capital Budget funding structure is as follows:

SOURCE OF FUNDING	ADJUSTED BUDGET 2023/2024	SUPPLEMENTS/ (RETURNS)	SYSTEM BUDGET 2023/24	ACTUAL JUNE 2024 (YTD)	% OF SYSTEM BUDGET SPENT
	R	R	R	R	%
Borrowing	418 774 900	-	418 774 900	408 909 118	97,64%
Capital Replacement Reserve	177 535 900	4 503 700	182 039 600	168 144 862	92,37%
Integrated Urban Development Grant	145 186 200	-	145 186 200	131 357 523	90,48%
Government Grants - National	71 150 500	11 841 000	82 991 500	82 847 125	99,83%
Government Grants - Provincial	-	-	-	67 480	0,00%
Insurance	2 565 300		2 565 300	-	0,00%
Public Contribution (Donation)	2 193 700		2 193 700	2 193 606	100,00%
TOTAL	817 406 500	16 344 700	833 751 200	793 519 715	95,17%



COU - CAPEX DASHBOARD AS AT: JUN 2024



Original Budget (R '000)

802,941

Adjusted Budget (R '000)

817,407

Monthly Actual (R '000)

59,484

YTD Actual (R '000)

793,520

YTD Budget (R '000)

817,407

YTD Variance (R '000)

-23,887

Overview

C5C CAPEX-MAIN

SC13A-NEW

SC13B-RENEW

SC13E-UPGRADE

C5C CAPEX-MAIN-Detail

SC13A-NEW-Detail

SC13B-RENEW-Detail

SC13E-UPGRADE-Detail

ALL VOTES



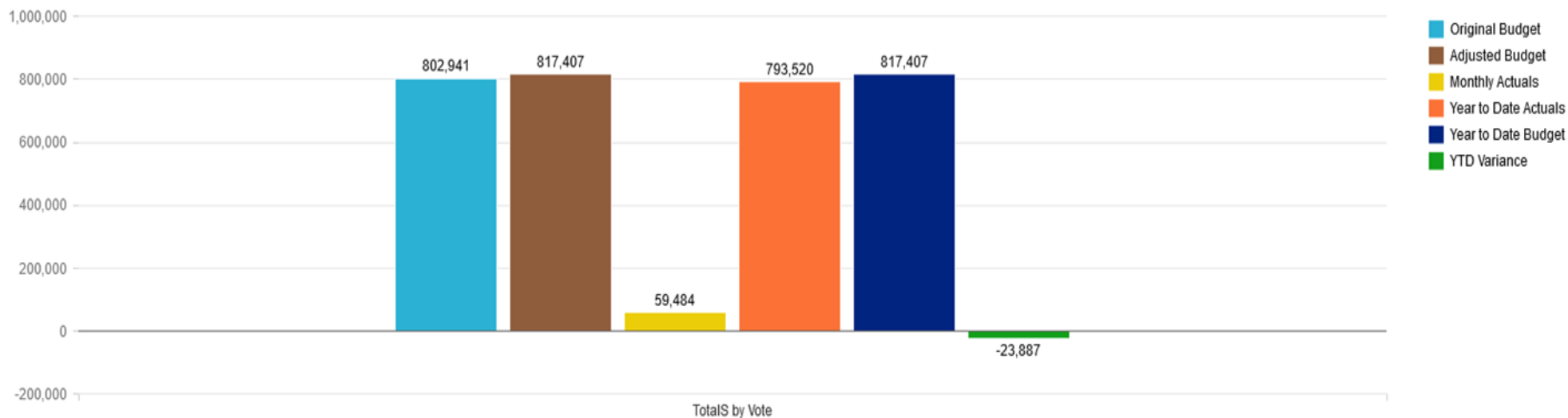
Total by Vote

Functional Classification

Funded By

ALL VOTES

Total Capex (R '000)



NOTES:

OFFICIAL FINAL VERSION

RPT 178613
Page 12 of 40

3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2023/2024	ACTUAL JUNE 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Employee related costs	1 186 691 700	1 138 017 343	95,90%
Remuneration of Councillors	35 509 700	30 596 809	86,16%
Bulk Purchases - Electricity	1 627 634 200	1 528 529 014	93,91%
Inventory consumed - Water	306 540 400	344 390 856	112,35%
Inventory consumed - Materials	188 177 000	173 160 074	92,02%
Debt Impairment	238 596 600	221 383 627	92,79%
Depreciation and asset impairment	320 159 500	304 467 165	95,10%
Finance Charges	158 678 000	158 839 238	100,10%
Contracted Services	493 057 300	574 682 561	116,55%
Transfers and Subsidies	9 959 300	8 927 436	89,64%
Irrecoverable debts written off	-	68 319 714	0,00%
Operational costs	377 359 300	322 441 260	85,45%
Loss on Disposal of Land	-	7 520 221	0,00%
Losses - Water Inventory (note 1)	343 664 200	429 492 882	124,97%
TOTAL	5 286 027 200	5 310 768 200	100,47%

The above table represents operating expenditure per category as at 30 June 2024.

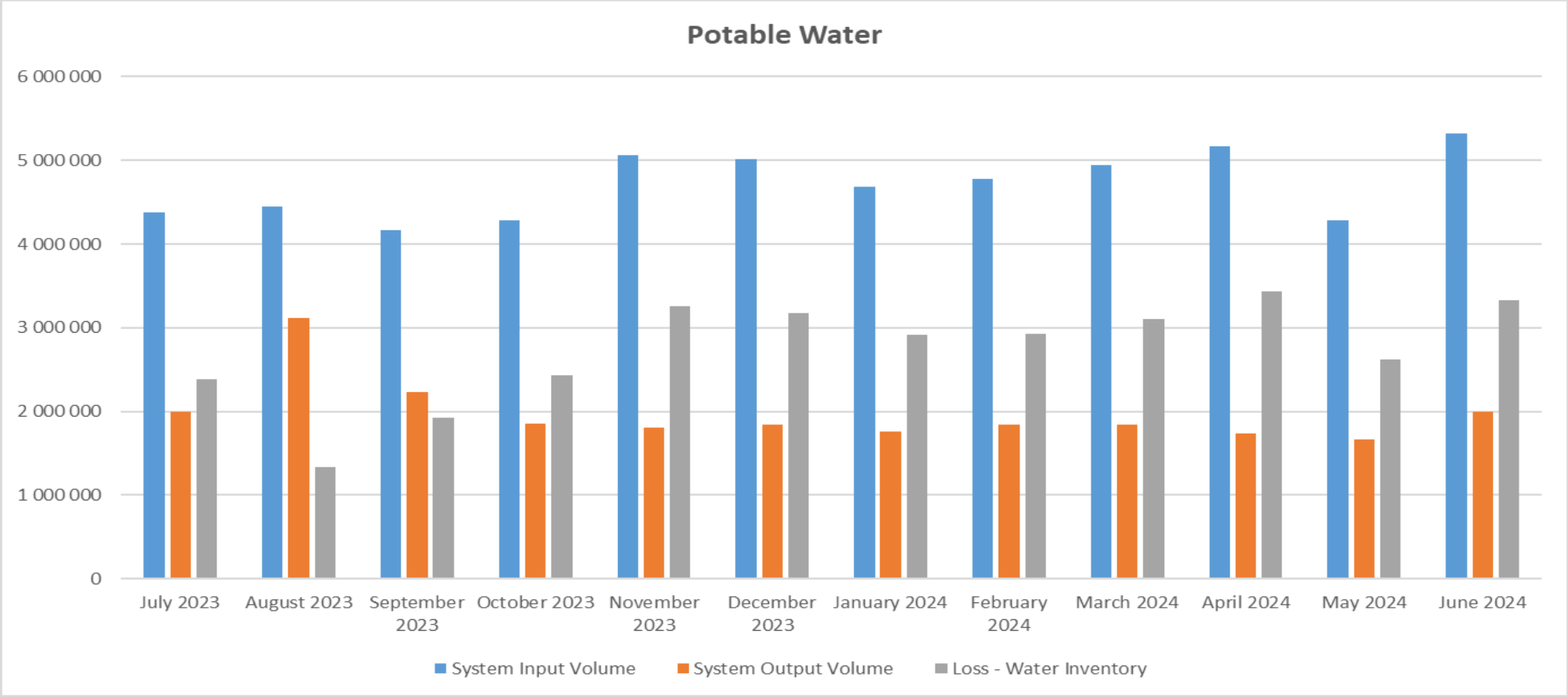
Note 1 and 2 above:

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. This model has been derived after consultation with the National Water and Sanitation Department and will ensure that water inventory is correctly reflected.

Water Inventory - in Rands						
Water Inventory	Adjusted Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R
Output						
Inventory consumed - Water Billed (Authorised)	300 038 800	282 415 300	17 623 500	340 981 045	316 470 601	24 510 444
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	3 409 811	3 164 706	245 105
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	344 390 856	319 635 307	24 755 548
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	427 749 249	427 288 472	460 777
Total Water Inventory (Consumed plus losses)	650 150 000	630 485 700	19 664 300	772 140 105	746 923 780	25 216 325

Water Inventory - in Units (kl)						
Water Inventory	Adjusted Budget			Year to Date Actuals		
	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl
Output						
Inventory consumed - Water Billed (Authorised)	28 981 398	24 231 398	4 750 000	26 989 938	23 542 540	3 447 398
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	269 899	235 425	34 474
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	27 259 837	23 777 965	3 481 872
Loss - Water Inventory	29 820 657	29 323 657	497 000	32 825 051	32 750 699	74 352
% Loss - Water Inventory	50,2%	54,2%	9,4%	54,6%	57,9%	2,1%
Total Water Inventory (Consumed plus losses)	59 396 015	54 096 015	5 300 000	60 084 888	56 528 664	3 556 224

Potable Water Inventory - in Units (kl)												
Water Inventory	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024
System Input Volume	4 380 459	4 445 271	4 162 506	4 280 083	5 064 544	5 014 460	4 681 883	4 775 757	4 944 566	5 166 668	4 286 133	5 326 339
System Output Volume	1 997 129	3 110 282	2 232 445	1 851 578	1 810 557	1 840 458	1 764 586	1 845 747	1 836 434	1 732 966	1 670 835	1 994 146
Loss - Water Inventory	2 383 330	1 334 989	1 930 061	2 428 505	3 253 987	3 174 002	2 917 297	2 930 010	3 108 132	3 433 702	2 615 298	3 332 193



Water Losses per Zone

	Jun-24				Ytd Actual As At 30 June 2024			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini,	Zone 2 (Empangeni, Ngwelezane,Zu ngu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi	Zone 4 (Richards Bay Clarified Water)	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini,	Zone 2 (Empangeni, Ngwelezane, Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
System Input (Purchased and Produced)	1 920 101	2 452 762	953 476	333 340	24 614 093	21 177 982	10 736 594	3 582 860
Kl/Day	64 003	81 759	31 783	11 111	807 356	694 277	353 701	117 514
System Out Put - Inventory Consumed	1 270 138	521 265	222 684	326 442	14 540 078	7 169 905	2 067 982	3 481 872
Kl/Day	42 338	17 376	7 423	10 881	476 861	234 805	67 908	114 264
Inventory consumed - Water Billed (Authorised)	1 257 563	516 104	220 479	323 210	14 396 117	7 098 916	2 047 507	3 447 398
Inventory consumed - Water Unbilled (Authorised)	12 576	5 161	2 205	3 232	143 961	70 989	20 475	34 474
Water Lossess	649 963	1 931 497	730 792	-	10 074 015	14 008 077	8 668 612	74 352
Kl/Day	21 665	64 383	24 360	-	330 496	459 472	285 793	2 398
Water Losses:Apparent Losses:Customer Meter Inaccuracies	58 497	173 835	65 771	-	906 661	1 260 727	780 175	6 692
Water Losses:Apparent Losses:Unauthorized Consumption (Theft)	32 498	96 575	36 540	-	503 701	700 404	433 431	-
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	26 323	78 226	29 597	-	407 998	567 327	351 079	3 197
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	150 044	445 886	168 703	-	2 325 586	3 233 765	2 001 149	18 224
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	350 102	1 040 401	393 641	-	5 426 368	7 545 451	4 669 348	42 522
Water Losses:Data Transfer and Management Errors	32 498	96 575	36 540	-	503 701	700 404	433 431	3 718
% Loss - Water Inventory	33,9%	78,7%	76,6%	0,0%	40,9%	66,1%	80,7%	2,1%
Total Water Inventory (Consumed plus losses)	1 920 101	2 452 762	953 476	326 442	24 614 093	21 177 982	10 736 594	3 556 224

3.6 Revenue by Source

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2023/2024	ACTUAL JUNE 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	%
Exchange Revenue			
Service Charges – Electricity revenue	2 290 831 000	2 026 729 476	88,47%
Service Charges – Water revenue	585 000 000	562 394 663	96,14%
Service charges - Waste Water Management	120 256 200	121 497 290	101,03%
Service charges - Waste management	114 668 500	117 337 974	102,33%
Sale of Goods and Rendering of Services	94 780 800	123 145 620	129,93%
Agency services	8 364 800	8 948 306	106,98%
Interest earned from Receivables	29 400	1 468	4,99%
Interest from Current and Non Current Assets	40 000 000	34 330 516	85,83%
Rent on Land	1 949 900	1 925 210	98,73%
Rental from Fixed Assets	15 018 500	15 540 677	103,48%
Operational Revenue	11 130 600	16 870 631	151,57%
Non-Exchange Revenue			
Property rates	713 966 800	675 918 334	94,67%
Surcharges and Taxes	6 332 000	10 041 597	158,58%
Fines, penalties and forfeits	12 283 500	5 897 709	48,01%
Licence and permits	3 631 700	3 551 649	97,80%
Transfers and subsidies - Operational	568 972 600	563 646 121	99,06%
Interest	870 000	1 335 393	153,49%
Other Gains	26 321 900	26 604 142	101,07%
Gains on sale of Land	-	98 645 000	0,00%
Gains - Water Inventory	508 218 500	593 961 968	116,87%
TOTAL OPERATING REVENUE	5 122 626 700	5 008 323 743	97,77%
LESS: EQUITABLE SHARE RECEIVED IN ADVANCED			
Proceeds from Land Sales (IDZ)	-	(98 645 000)	0,00%
TOTAL REVENUE	5 122 626 700	4 909 678 743	95,84%

The above table represents operating revenue by source as at 30 June 2024.

Below are the reasons for the decline in revenue on the 23/24 MTREF:

Service Charges- Electricity revenue

The reduction in billed electricity revenue amounting to R264 million need to be seen against a reduction in purchases of R100 million, hence a gross drop in electricity revenue by R164 million.

The two primary reasons for this are due to a drop in commercial and industrial consumption due to the transition taken by large manufacturers and commercial businesses to alternative sources of energy. In municipal case – gas and solar. The second major issue is that the local economy has not picked up to the extent anticipated.

The following are a few examples of the reduction by major industries.

- Two key customers (Mondi and Foskor) had reduction in volumes from March 2024 to June 2024. The reduction for Mondi is due to the implementation of yearly shutdown.
- There was a R2 million adjustment on Bell's account which is as a result of non-functioning substations which led to estimating the demand for more than twelve (12) months. **Furthermore, it must be noted that Bell has installed solar panels for the workshop which means that the municipality must anticipate more reductions from this customer in the current financial year.**
- There was an additional adjustment for eSikhaleni mall with a value of R2 million for the July 2021 unrest (RPT 177377).
- Departmental accounts are currently being investigated and anomalies are corrected as and when identified. Due to this exercise, there is a huge reduction of departmental electricity.

Service Charges – Water revenue

The reduction is due to adjustments passed to the King Cetshwayo District municipality accounts after finalising the negotiated tariffs. Furthermore, it is noted that the District Municipality volumes have declined.

Interest earned from Receivables

Due SAP configuration which was finalised late, the billing for these interest charges commenced in June 2024. The adjustments have been posted to the affected accounts, however the balances will appear on the accumulated surplus account.

Fines, Penalties and forfeits

There is no contract in place for traffic fines, the TMT contract lapsed and the new tender was not advertised. Because of this, less and less revenue is generated by the Traffic Department. The traffic department has been aware of this.

Property Rates

There was anticipation that Esikhaleni mall would be completed and valued during the 23/24 financial year, however delays were experienced in obtaining the valuation. This has led to deferred billing and not achieving the property rates target.

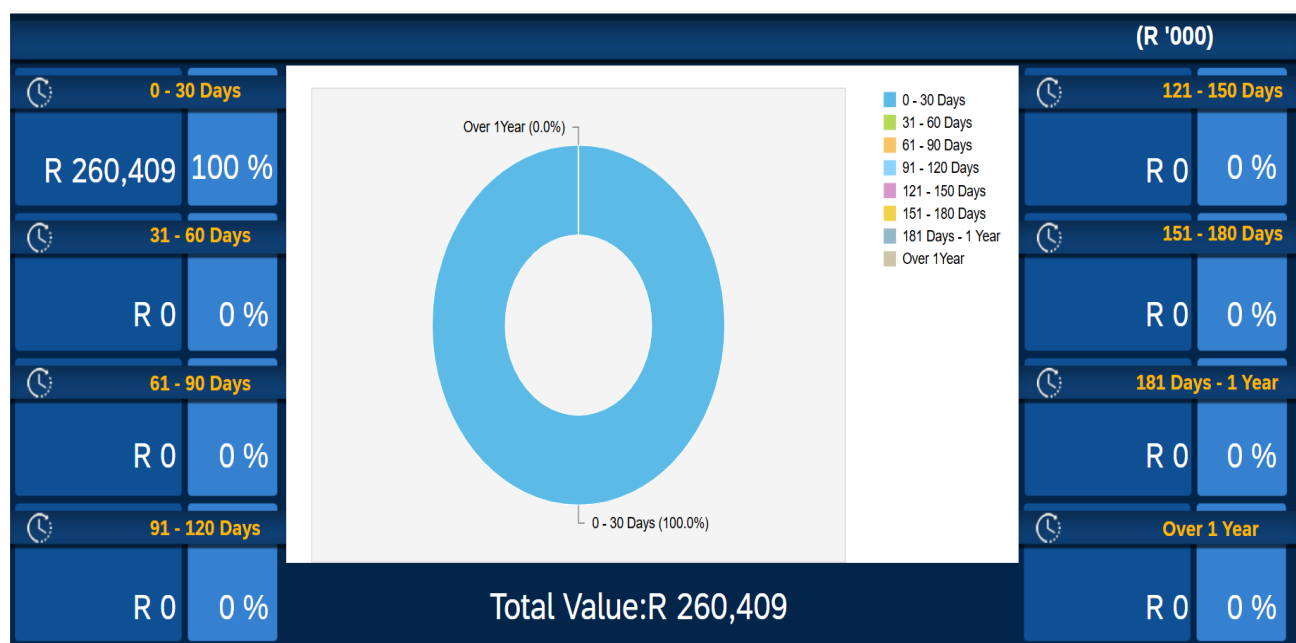
Licence and Permits

More revenue was anticipated however, less revenue was received due low turn-out of applications for licenses.

3.7 Creditors Age Analysis

Creditors age analysis by customer type

Creditors Age Analysis By Customer Type	0 - 30 Days
	R
Bulk Electricity	175 300 666
Trade Creditors	84 630 023
Auditor General	22 506
Other	17 886
Total By Customer Type	259 971 081



The above table represents the ageing of creditors outstanding as at 30 June 2024. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of June 2024 is **27 days**. It must be noted that amounts over 90 days are invoices that were accrued due to year-end cut-off, however, final sign off and verification still needed to be done by User Departments.

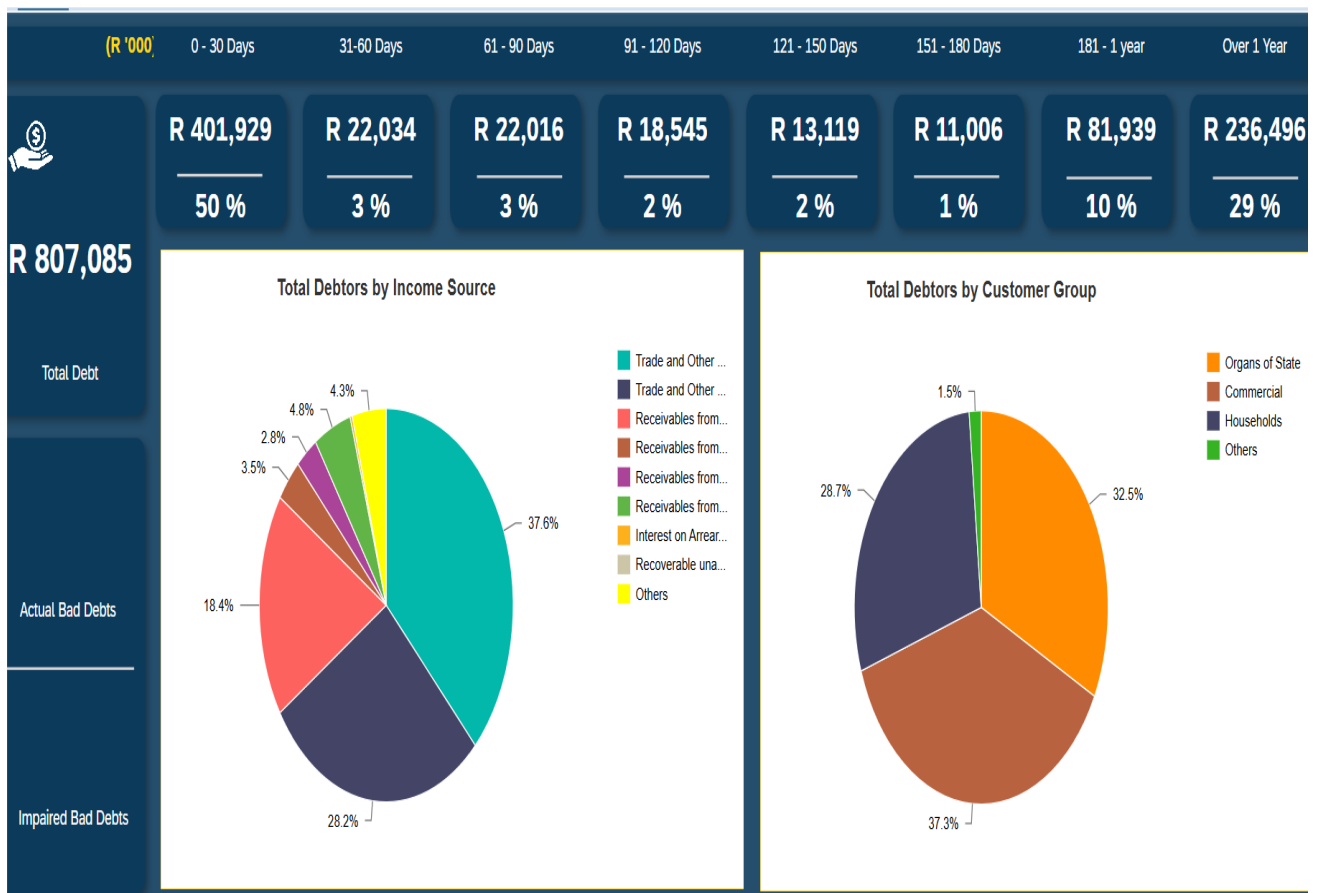
3.8 Debtors Age Analysis

➤ Debtors Age Analysis by Category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	167 472 970	8 062 840	3 798 157	82 616 352	261 950 319
Business	179 260 761	8 490 480	9 293 073	104 080 534	301 124 848
Households	53 883 175	5 310 801	8 117 416	164 386 157	231 697 549
Other	1 311 812	170 254	807 790	10 022 797	12 312 653
Total	401 928 718	22 034 375	22 016 436	361 105 839	807 085 369
%	49,80%	2,73%	2,73%	44,74%	

FINANCIAL REPORTING ON INCOME / DEBT

Section 216 (1)(c) of the Constitution and section 2 of the Municipal Finance Management Act (MFMA) enable 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	DATA INPUTS AND RESULTS
1	Collection Rate - Rolling 12 Months	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off / Billed Revenue x 100	95%		103%
				Gross Debtors closing balance June 2024	779 313 003
				Gross Debtors opening balance July 2023	938 330 815
				Bad debts written Off July 2023 to June 2024	49 300 034
				Billed Revenue July 2023 - June 2024	3 684 138 103

Please refer to page 5 of MFMA Circular No. 71

➤ 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 exclude 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)) × 365	The norm is 30 Days

NETT DEBTORS IN DAYS					
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
2	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Billed Revenue)) × 365	30 days		50 days
				Gross Debtors closing balance June 2024	779 313 003
				Bad debts Provision 2023 / 2024	274 153 400
				Billed Revenue July 2023 - June 2024	3 684 138 103

Please refer to page 6 of MFMA Circular No. 71

➤ **Top 10 Debtors**

TOP TEN DEBTORS FROM ALL CATEGORIES							
Account No	Consumer Type	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 590	22 377 590
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 793	21 328 793
1675831	STATE OWNED ENTITIES	40	-	-	-	11 219 603	11 219 643
416383	PRIVATE BUSINESS	174 533	-	81 188	81 048	6 544 859	6 881 628
30000543	SUNDRIES AND OTHER	551 481	-	275 741	275 741	6 279 336	7 382 299
1610626	PRIVATE BUSINESS	-	-	78 346	-	6 106 823	6 185 169
501543	STATE OWNED ENTITIES	241 625	-	144 772	192 917	5 972 994	6 552 309
2328365	STATE OWNED ENTITIES	-	-	-	-	5 516 250	5 516 250
2289941	PRIVATE BUSINESS	2 611	472	1 415	1 164	5 047 577	5 053 237
2369555	STATE BUSINESS PROV	406 666	203 335	203 335	203 335	4 700 941	5 717 612
		1 376 955	203 806	784 796	754 205	95 094 766	98 214 529

The total debtors per month for the previous 12 months are listed below.

Month	0-30 days	%	31-60 days	%	60-90 days	%	Over 90 days	%	Total Debt
Jul-23	565 006 823	60%	26 883 073	3%	24 787 643	3%	321 910 068	34%	938 587 607
Aug-23	495 988 253	56%	55 672 420	6%	21 777 099	2%	318 042 837	36%	891 479 610
Sep-23	333 181 502	36%	233 503 335	26%	28 462 586	3%	320 159 715	35%	915 307 139
Oct-23	447 586 435	51%	48 978 765	6%	38 474 649	4%	339 108 855	39%	874 148 703
Nov-23	372 722 276	48%	18 843 119	2%	29 713 130	4%	355 364 362	46%	776 642 888
Dec-23	376 622 877	48%	16 438 499	2%	17 867 733	2%	368 883 125	47%	779 812 235
Jan-24	364 804 748	47%	27 127 080	3%	13 025 452	2%	376 022 349	48%	780 979 629
Feb-24	382 436 943	47%	26 856 121	3%	15 667 700	2%	385 805 497	48%	810 766 262
Mar-24	489 568 424	52%	34 842 521	4%	17 885 257	2%	392 990 079	42%	935 286 280
Apr-24	402 467 721	47%	25 399 129	3%	27 300 909	3%	395 787 347	47%	850 955 106
May-24	363 762 953	43%	34 691 438	4%	27 741 808	3%	410 449 631	49%	836 645 830
Jun-24	401 928 718	50%	22 034 375	3%	22 016 436	3%	361 105 839	45%	807 085 369

The total debt is lower than 12 months ago, and the debt older than 90 days is only marginally higher than 12 months ago. This indicates the effective operation of all credit control actions and the collection of the maximum amount of cash.

Government Debt

The Top Ten (10) Government debtors are as follows:

Government Debt							
National Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	4 127 317	301 123	168 356	147 534	132 660	847 254	5 724 244
Dept of Agriculture and Rural Development & land Reform	6 267	127	520	158	3 584	366 757	377 413
Department of Water Affairs and Sanitation	155 015	127 407	0	0	0	0	282 422
	4 288 600	428 657	168 876	147 692	136 244	1 214 010	6 384 079
Provincial Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	22 673	-138 932	21 159	21 343	21 043	2 189 858	2 137 144
Education	1 762 572	624 680	218 074	242 023	203 126	5 771 228	8 821 704
Tvet Colleges	4 747 300	759 012	460 829	1 906 071	409 748	2 961 092	11 244 053
Human Settlement	57 480	184 563	19 349	4 864	4 701	600 651	871 608
Department of Transport	142 740	13 405	12 464	11 427	12 040	101 615	293 691
Department of Health	2 972 556	1 875 896	10 817	-1 125	0	3 657 306	8 515 451
Department of Social Welfare	138 046	129 360	11 775	69 950	45 287	0	394 418
	9 843 367	3 447 984	754 468	2 254 553	695 947	15 281 750	32 278 068
Other Organs of State	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	4 245 216	4 330 619	301 814	-1 477 487	70 652	-1 562 168	5 908 646
ESKOM	166 640	108 853	60 615	58 075	12 300	98 962	505 446
Ingonyama Trust Board	399 841	399 849	399 849	399 849	399 849	22 832 321	24 831 560
Telkom	7503,84	-596 327	-36 987	824	852	19 237	-604 897
Foskor	926 285	40 149 859	9 157	0	0	0	41 085 301
SA Post Office	23 057	4 546	2 790	3 629	1 351	32 164	67 536
Richards Bay IDZ	3 521 157	0	0	0	0	0	3 521 157
Mhlathuze Water Board	4 738 041	232 530	232 530	232 530	0	21 328 793	26 764 422
King Cetshwayo District Municipality	7988334,71	7854802,52	6164159,7	446398,98	438202,36	17 192 597,14	40 084 495,41
	22 016 077	52 484 731	7 133 927	-336 181	923 206	59 941 905	142 163 666

3.9 Employee Debt / Councillor Debt

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

Employees' debt amounts to R309 230,19 as per **Annexure AP - DMS 1665713**.

Councillors' debt amounts to R20 649,43 as per **Annexure AO - DMS 1665713**.

3.10 MFMA Circular number 71 Uniform Financial Ratios

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 AT on DMS 1665713**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES - FOR ENTIRE MUNICIPALITY

4.1 LOSSES TO COUNCIL'S PROPERTY

The table below represents losses to Council's property for the period 1 April to 30 June 2024:

GLASS REPLACEMENT CLAIMS										
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	AREA	TKT	DPT/SECT			
16/05/2024	222023/119	Glass Replacement	V0429 was parked at the parking area at Emapangeni Rail and it was noticed the the windscreen was damaged and the cause is unknown	V0429 - NRB 25107	Empangeni	1143	I&TS - Water & Sanit			
08/07/2023	222023/127	Glass Replacement	V0414 - Driven by M Mndaba was damaged when a truck passed by and a stone picked up and broke the windscreen of V0414	V0414 - NRB 54527	Richards Bay	1139	I&TS - Water & Sanit			

PUBLIC LIABILITY CLAIMS										
DATE	AIM NUMB	CATEGORY	DETAILS OF INCIDENT	3rd PARTY	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
02/04/2024	222023/102	Public Liability	Mr Kunene, the driver of BB 53 MS ZN, reports that his car hit an avoidable pothole causing his 2 left hand side tyres to be damaged	Mr Kunene- BB53MS ZN - 066 292 3594	Meerensee		I&TS - Roads & Stormwater	0,00	0,00	0,00
20/10/2023	222023/111	Public Liability	Arangies Attorneys are claiming on behalf of Armand Markgraaff for damages to her vehicle allegedly caused by a pothole	Armand Markgraaff - NZ 23053	Empangeni		I&TS - Roads & Stormwater	100 000,00	9 299,97	9 299,97
01/05/2024	222023/114	Public Liability	V2038 - Driven by Richmond Ndelela was involved in a collision with a TP driving a Mercedes - Ndelela accidentally turned onto the TP	Jabulani Sibiya - 082 959 2507	Richards Bay	1132	Comms - Solid Waste	25 000,00	0,00	0,00
09/07/2023	222023/116	Public Liability	TM Mkhonto is claiming for damages to his property allegedly caused by a streetlight pole that fell on his rondavel roof	TM Mkhonto - 082 935 2332	Esikhaleni		Electrical Energy Services	25 000,00	8 620,00	8 620,00
21/05/2024	222023/117	Public Liability	Auto Pedigree Richards Bay is claiming for damages to the glass of their vehicle allegedly caused by a stone that picked up during grass cutting	Auto Pedigree Richards Bay - 035 - 7899688	Richards Bay		Comms - Parks	25 000,00	0,00	0,00
10/06/2024	222023/122	Public Liability	V0473 - Driven by Thulani Mdadlose was involved in an incident whereby it is alleged that the brakes failed and V0473 hit the side of TP NUF 62254	Nombuso Dlamini - NUF 62254 - 071 436 4426	Empangeni	1156	Comms - Solid Waste	0,00	0,00	0,00
20/10/2023	222023/124	Public Liability	Arangies Attorneys are claiming on behalf of Armand Markgraaff for damages to her vehicle allegedly caused by a pothole	Armand Markgraaff - NZ 23053	Empangeni		I&TS - Roads & Stormwater	100 000,00	9 299,97	9 299,97
								275 000,00	27 219,94	27 219,94

NOTES:

OFFICIAL FINAL VERSION

RPT 178613
Page 25 of 40

THEFT CLAIMS											
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	V TYPE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
18/04/2024	222023/113	Theft	2 x Batteries were stolen off V0420 whilst it was parked at the Alton depot	V0420 - NRB 56093	Nissan UD	Richards Bay	1135	I&TS - Roads & Stormwater	0,00	2 694,20	2 694,20

DAMAGES TO COUNCIL VEHICLES											
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	VEHICLE	V TYPE	AREA	TKT	DPT/SECT	EXCESS	DAMAGE	CLL COST
16/04/2024	222023/109	Vehicle Damage	V1417 driven by m Zikhali was involved in a collision with TP ECG 262 ZN - the TP turned inot V1417	V1417 - NRB 92650	Nissan UD	Richards Bay	1120	Comms - Solid Waste	0,00	0,00	0,00
26/04/2024	222023/110	Vehicle Damage	V1341 Driven by Senzo Shabalala colided with Colided with NUF 23318 at an intersection by Kevin's key	V1341 - NRB 51687	Polo vivo	Richards Bay	1129	Comms - Finance	0,00	76 067,15	76 067,15
15/02/2024	222023/112	Vehicle Damage	V1356 - was damaged when the plumbing team was loading the rods back into the bakkie	V1356 - NRB 89175	Ford Ranger	Ngwelezane	1130	I&TS - Water & Sanit	0,00	0,00	0,00
25/04/2024	222023/115	Vehicle Damage	V2039 - Driven by NL Mpanza was involved in a TP collision when he accidentally reversed onto NRB 59406	V2039 - NRB 12180	FAW	Esikhaleni	1126	Comms - Solid Waste	0,00	16 757,40	16 757,40
27/05/2024	222023/118	Vehicle Damage	V1451 - was damaged by NRB 81603, the driver lost control of his vehicle, hit into 2 cows thereafter colliding into V1451	V1451 - NRB 89279	Ford Ranger	Ntambanana	1150	I&TS - Water & Sanit	0,00	66 866,91	66 866,91
14/05/2024	222023/120	Vehicle Damage	V1652 was damaged whilst moving water pipes and being operated by Bonginkosi	V1652 - NRB 69546	CAS TLB	Richards Bay	1141	I&TS - Water & Sanit	0,00	0,00	0,00
19/03/2024	222023/121	Vehicle Damage	V1440 - Driven by SB Gwala was damaged when a TP collided into the rear of V1440	V1440 - NRB 86402	Ford Ranger	Matshana	1151	I&TS - Water & Sanit	0,00	0,00	0,00
18/06/2024	222023/123	Vehicle Damage	V2032 - Driven by Shange was involved in a collision with TP BB 75 DV ZN - he was stopped in the middle of the road as he hit a pedestrian	V2032 - NRB 33475	Toyota Prado	Stanger		Comms - Safety & Secutity	0,00	0,00	0,00
19/06/2024	222023/125	Vehicle Damage	V1355 - Driven by S Ndwandwe was involved in an incident with TP NRB 74954 - TP collided with the rear of V1355	V1355 - NRB89176	Ford Ranger	Richards Bay	1165	Electrical Energy Services	0,00	0,00	0,00
20/05/2024	222023/126	Vehicle Damage	V2056 - Operated by I Xaba was damaged whilst picking up a skip - it is assumed that the weight of the skip the mechanism pulled down	V2056 - FJG 832 X	Isuzu Compactor	Empangeni	1148	Comms - Solid Waste	0,00	0,00	0,00
24/05/2024	222023/128	Vehicle Damage	V2045 - Driven Thabani Mchunu was damaged whilst delivering material, the radiator was damaged when it hit sand island formed in the middle of the rd	V2045 - BF 89 XW ZN	Hino 500 Series	Port Durnford	1149	I&TS - Water & Sanit	0,00	2 694,20	2 694,20
									0,00	162 385,66	162 385,66

- Public liability claims remain problematic, damages allegedly caused by potholes and vehicle collisions were increased this term. It is also noticed that legal approaches have also increased. The roads section was consulted on the major increase in potholes on our roads;
- Pothole claims do not necessarily imply poor repairs and maintenance, there are other contributing factors. Due to extreme weather conditions and heavy traffic usage (specifically haulage trucks), exceeding that what the road was designed for. The extent to which pothole risks arise are often beyond the capacity which a Municipality can contain";
- ***Important to be noted is that Council can only be held liable when there is evident gross negligence on the part of the Municipality;***
- There has been an increase in motor vehicle accidents, this category as well lacks thorough investigations and consequence management, the urgency of this cannot be expressed enough. It is also noted that vehicle inspections are still not being done;
- Delayed reporting of incidents and lack of co-operation from departments remain a challenge in finalising claims and attract unnecessary legal action; and
- Vehicle inspection check sheets must be re-introduced as it has been very effective previously.

4.2 PROCEEDS FROM LAND SALES

As required in terms of the Chief Financial Officer's Performance Plan (**DMS 1308528**), the following progress on land sales that have been prepared by the Department: City Development and approved by Council for sale, the process followed by the Department Financial Services be noted:

Date received	Amount	Erf Number	Details
	R		
27/11/2023	4 796 000,00	Erf 5333	Karpowership SA
27/11/2023	1 450 000,00	Erf 5333	Eskom Holdings SOC Limited
27/11/2023	2 400 000,00	Erf 5333	Eskom Holdings SOC Limited
11/03/2024	103 500 000,00	Erf 11376	IDZ
	112 146 000,00		

4.3 **COST CONTAINMENT POLICY**

The implementation of Municipal Cost Containment Regulations (MCCR) was effective from 1 July 2019. The containment policy (**DMS 1407523**) was approved by Council in terms of Council Resolution 14091 dated 26 August 2020 (RPT 167608):

ANNEXURE D: COST CONTAINMENT REPORT AS AT 30 JUNE 2024			
COST CONTAINMENT MEASURES	ADJUSTED BUDGET 2023/24	ACTUAL JUNE 2024 (YTD)	SURPLUS/ (DEFICIT)
Advertisement & Marketing	4 681 800	1 138 054	3 543 746
Sponsorship Events and Catering Services	4 036 100	3 245 636	790 464
Conference, meetings and study tours	618 100	336 241	281 859
Entertainment	359 300	188 395	170 905
Communications:SMS Bulk Message Service	3 029 100	2 722 388	306 712
Consultants Sevices	277 115 900	288 433 477	(11 317 577)
Travel and subsistence allowance (incl accommodation)	3 736 900	2 578 293	1 158 607
Vehicle hire for Public office bearers	261 200	236 600	24 600
TOTAL	293 838 400	298 879 084	(5 040 684)

Due to over expenditure on consultancy expenses all other savings have been offset, hence no nett savings.

In addition given that the Cost Containment Regulations do not cover the full range of expenditure items, the CFO will expand the scope of such to be more reflective of local context as the above table although a legislative requirement does not paint the correct picture.

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

The following monthly budget statement tables (**DMS 1682507**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEX
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

7. SUPPLY CHAIN MANAGEMENT POLICY

LEGISLATIVE FRAMEWORK

- Supply Chain Management Policy
- Contract Management Policy

SUPPLY CHAIN MANAGEMENT POLICY

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

- “6.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.*
- 6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act.”*

CONTRACT MANAGEMENT POLICY

- **Statutory reporting and compliance**

Clause 7(4) of Contract Management Policy requires Contract Management Unit to maintain contract register and Provincial Circular No. 2 of 2016/2017 in relation to Contract Management also required all municipalities to submit updated Contract Registers by the 7th of every month. As from 7 December 2017, the submission of this report commenced.

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical considering the legislative requirements that should be fulfilled to avoid Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure. Furthermore, certain functions were transferred to the unit without increasing the staff, i.e. travelling and bid report writing. There are five vacancies filled during the quarter under review:

Nil

- **Internal Audit**

There was one Internal Audit in Quarter 4 of 2023/24 financial year.

- **Training and workshops**

The Supply Chain Management Policy, Clause 8 the training of officials involved in implementing the Supply Chain Management Policy should be in accordance with National Treasury guidelines on Supply Chain Management Training. The following training was attended:

Nil

- **Supply Chain Management Module - uMSAP**

During the quarter, as a requirement from National Treasury, the Department embarked on a project to interface Central Supply Database with Council's database. After the complete exercise, it will reduce the time and resources required to complete the database application forms. The Unit will only need the MAAA_ _ _ _ _ CSD registration number and the confirmation of the bank details.

DEMAND AND ACQUISITION MANAGEMENT

- Capturing of vendors on Council's database**

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Apr-24	67
May-24	54
Jun-24	30
	151

- Reporting of Supply Chain Management awards above R100 000 captured on the National Treasury database.**

Sections 74(1) and 104(1)(b) of the Municipal Finance Management Act (MFMA) prescribes the following regarding general reporting obligations:

"The accounting officer of a municipality [and municipal entity] must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required."

Since 1 July 2006, in terms of National Treasury Circular MFMA Circular No 34, Municipalities and Municipal Entities are required to submit a separate report for each contract awarded (and signed) above R100 000, and which must be submitted within 15 days of the end of each month. A backlog still exists with the capturing of data, mainly due to the fact that the database is very slow during working hours.

A list of orders in excess of R100 000 is included under - **Annexure AQ on DMS 1665713**.

- Reporting on the Supply Chain Management Policy in terms of Section 36 (2) in which any deviation from the Supply Chain Management Policy must be approved by the City Manager.**

The Supply Chain Management Policy, prescribe on Clause 36(2) *The accounting officer must record the reasons for any deviations in terms of sub Clauses (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.* The reporting is delegated to the User Department to complete this task.

Number of Deviations for Quarter 4 amounting to R 14 922 475.61 (view Annexure AR – DMS 1665713):

DEVIATIONS AS AT THE QUARTER ENDED 30 JUNE 2024										
DEPARTMENT	QUARTER 1		QUARTER 2		QUARTER 3		QUARTER 4		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
	No.	Value	No.	Value	No.	Value	No.	Value		
Corporate Services (CS)	-	-	-	-	-	-	1	360 712.46	1	360 712.46
Financial Services (FS)	1	12 758 445.40	-	-	-	-	1	391 955.75	2	13 150 401.15
Technical Services (TS)	-	-	1	14 398 074	-	-	1	3 266 638.25	2	17 664 712.25
Electrical and Energy Services (EES)	-	-	-	-	2	3 659 991.43	1	10 903 169	3	14 563 160.58
Community Services (Coms)	1	Rate based	-	-	-	-	-	-	1	
	2	12 758 445.40	1	14 398 074	2	3 659 991.43	4	14 922 475.61	9	45 738 986.44

AWARDED TENDERS FOR THE FOURTH QUARTER

MONTH	NUMBER OF AWARDS	TOTAL
Apr-24	8	13 823 259
May-24	2	27 467 305
Jun-24	2	2 804 764
TOTAL	12	44 095 328

TENDER NUMBERS ISSUED, PUBLISHED, CANCELLED AND SITTING OF BID COMMITTEES				
Tender numbers issued to user departments	Number of tenders published	Number of tenders Cancelled	Number of Bid Committees seated and cancelled	
			Seated	Cancelled
21	10	4	BSC 5	6
			BEC 17	4
			BAC 12	10

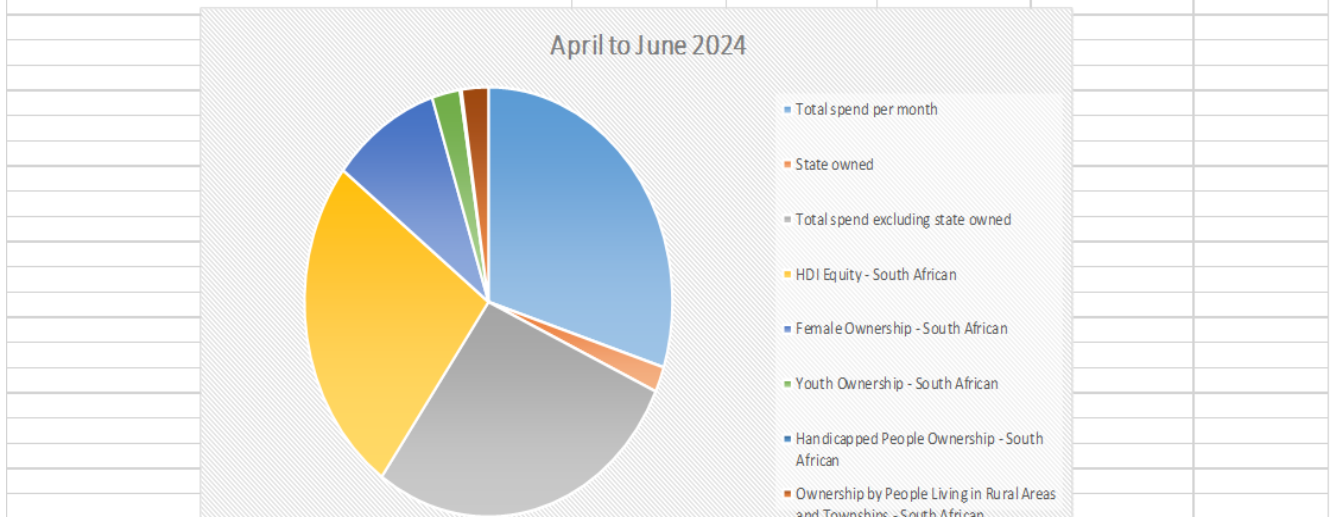
Number of Tenders where Validity Period were extended	
Number	Reasons
20	Due to the tender being referred back from the Committees for various reasons such as lack of supporting documentation and information.

Number of section 32 and value			
Number	The name of the Entity that SCM Regulation 32 was sourced from.	Awarded to	Total value of tenders awarded through SCM Regulation 32.
1	National Treasury	Vodacom (pty)ltd	Rate based

APPROVAL OF TENDERS NOT RECOMMENDED	
	Total
Number of approved Tenders not recommended by Bid Evaluation in terms of supply chain management policy clause 29(7)(a)	0

- **Purchase Order report reflecting how SCM performed on each category in Quarter 2:**

	April 2024	May 2024	June 2024	Total per group	Percentages
Total spend per month	114 946 392,16	119 307 097,89	117 374 757,14	351 628 247,19	
State owned	7 359 387,11	1 195 033,93	3 721 783,11	12 276 204,15	
Total spend excluding state owned	107 587 005,05	118 112 063,96	113 652 974,03	339 352 043,04	
HDI Equity - South African	98 455 885,96	108 570 879,28	103 013 288,15	310 040 053,39	91,36%
Female Ownership - South African	36 624 668,83	37 687 824,28	46 814 908,54	121 127 401,65	35,69%
Youth Ownership - South African	9 472 851,83	17 469 230,60	22 840 693,94	49 782 776,37	14,67%
Handicapped People Ownership - South African	617 073,00	1 885 626,94	128 532,00	2 631 231,94	0,78%
Ownership by People Living in Rural Areas and Townships - South African	8 977 755,82	8 246 843,01	15 784 229,05	33 008 827,88	9,73%



- **Report on Objections and Complaints**

Refer to Section 1 of this report for a detailed list:

In terms of the Supply Chain Management Policy, Clause 49, *Persons aggrieved by **decisions** or **actions** taken in the implementation of this Supply Chain Management system, may lodge within 14 days of the decision or action:*

- (a) *if the **objection or complaint is against the procurement process**, submit a written **objection or complaint against the decision or action** to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the dependent and impartial refer the written objection or complaint to the dependent and impartial person referred to in Clause 50 for resolution:*

(b) Objections and Complaints Table:

01 APRIL TO 30 JUNE 2024	
REPORT ON OBJECTIONS AND COMPLAINTS (In terms of SCMP, clause 49)	
Details of objections or complains for tenders	During quarter 3, three (3) objections were received as follows: <ul style="list-style-type: none">• 1 for Tender 8/2/1/UMH1243-22/23 - Contour Technology; and• 2 for Tender 8/2/1/UMH1244-22/23 - Mills Fitchet Africa (Pty) Ltd
Against the procurement process	1
Against the decision or action	1
MUNICIPAL BIDS APEALS TRIBUNAL (in terms of SCMP, clause 50A)	
Case referred by bidder	Tender 8/2/1/UMH1243-22/23 – Contour Technology
RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES (In terms of SCMP, Clause 50)	
Details of decision or action and queries taken in the implementation of the procurement process in terms of the supply chain management system; or any matter arising from a contract awarded in the course of the supply chain management system;	<p>The two (2) objections are being handled as follows:</p> <ul style="list-style-type: none">• Tender 8/2/1/UMH1243-22/23 – Contour Technology. The City responded to the appellant, please see correspondence on DMS 1680332. The appellant then took the matter to MBAT. MBAT responded to state that the matter is beyond their scope as an award has already been made and advised the appellant to approach the courts. The City is yet to receive any further communication from the appellant.• Tender 8/2/1/UMH1244-22/23 – Mills Fitchet Africa (Pty) Ltd. The City responded to the appellant's attorneys, please see correspondence on DMS 1680330 and DMS 1680331. No further correspondence from the appellant has been received thus far.

CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 4	
Details	Number
Contracts Expiring in 6 months	45
Total Contracts Carried Over from 01/04/2024	112
Total Effective Contracts 2023/24 - Quarter 4	188
Total Contracts closed in 2023/24 - Quarter 4	61
Total Captured in Quarter 4	33
Number of Contracts amended using 15% and 20 threshold	8

VIRIATION ORDER AND EXPANSIONS			
Contracts which were amended using the 15% and 20% thresholds contained in MFMA Circular 62			
Number	Tender	Awarded to	Total Variance Order
8/2/1/UMH655-20/21 PR22	SERVICE PROVIDER TO EXECUTE CIVIL/PLUMBING WORKS AT EMPEMBENI LIBRARY	SA NGCAMU	52 756,89
8/2/1/UMH655-20/21 PR08	IMPROVEMENTS/RENOVATIONS TO EMPANGENI SWIMMING POOL	SILULEME TRADING	3 875 649,50
8/2/1/UMH564-19/20 PR01	IMPLEMENTING AND INVESTIGATING MANDLANZINI AND BIRDSWOOD MV NETWORK NORMALIZATION	AFRILECTICAL CONSULTING ENGINEERS	5 974 628,44
8/2/1/UMH546-19/20	SUPPLY, DELIVERY AND OFF-LOADING OF ELECTRICAL CABLES FOR A PERIOD OF THREE (3) YEARS AS AND WHEN REQUIRED	ABERDARE CABLES (PTY) LTD	2 151 748,90
8/2/1/UMH683-20/21	SUPPLY AND DELIVER INDIGENOUS TREES, PLANTING OF INDIGENOUS TREES AS AND WHEN PRUNING OF TREES OR CUTTING AND REMOVAL OF TREES AND CLEARING BEHIND PROPERTIES FOR A PERIOD OF THREE (3) YEARS IS REQUIRED	ZANOBANZI (PTY) LTD	278 819,00
8/2/1/UMH788-20/21	APPOINTMENT OF A SERVICE PROVIDER FOR MOVABLE ASSET VERIFICATION FOR A PERIOD OF THREE (3) YEARS	IMQS SOFTWARE PTY LTD	231 250,00
8/2/1/UMH844-20/21	SUPPLY, DELIVERY, OFF-LOADING AND INSTALLATION OF 132/11KV 30 MVA POWER TRANSFORMERS AND ASSOCIATED TRANSFORMER BAY EQUIPMENT AT PHOENIX TO CATER FOR AQUADENE DEVELOPMENT	SPMALENG JV	920 297,67

- Monthly Stock Count**

The stock count results for Quarter 4 ending 30 June 2024 are as follows:

Umhlathuze Local Municipality	
Stock Value Reconciliation : 30 June 2024	
Details	Amount
Inventory Stock Before Stock Take	R 29 200 405,77
Unfavourable Variances	- R 122 930,22
Favourable Variances	R 174 265,11
Omissions	R 37 540,00
Fuel Value Before Stock	R 647 262,13
Unfavourable Variances	- R 3 943,04
Favourable variances	R 1 769,05
Issued During Stock Take	- R 11 917,75
Inventory Value After Stock Take	R 29 922 451,05
Issues During Stock take	- R 1 909 618,80
Receipts During Stock Take	R 28 083,25
Stock Written off	R -
Inventory Amount After Stock Take	R 28 040 915,50
Issues After Stock take	- R 54 755,09
Receipts After Stock Take	R 87 880,00
Fuel Value After Stock	- R 69 850,39
Inventory of the Year	R 28 004 190,02
GENERAL LEDGER ACCOUNTS	
Material and Supplies	R 22 896 516,75
IA Consumables	R 5 107 673,27
TOTAL LEDGER BALANCE	R 28 004 190,02

PART 3 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting Table SC3 - Aged Debtors (**Annexure M – DMS 1682507**) for the month ended 30 June 2024.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N – DMS 1682507**) for the month ended 30 June 2024.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O – DMS 1682507**) for the month ended 30 June 2024.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and Grant receipts (**Annexure P – DMS 1682507**) and supporting table SC7 - Transfers and Grant expenditure (**Annexure Q – DMS 1682507**) for the month ended 30 June 2024.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and Staff Benefits (**Annexure R – DMS 1682507**) for the month ended 30 June 2024.

12. MATERIAL VARIANCES TO THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP COMPONENT 5 SUMMARISED)

The first Quarter progress on the quarterly projections of Service Delivery Targets and Performance Indicators is indicated on **Annexures AN (DMS 1665713)**.

Although the detailed Component 5 as **Annexure AN (DMS 1665713)**, the tables below depict a summary of the most applicable components thereof.

NB: (Please note when looking at the detailed version of Component 5 - **Annexure AN (DMS 1665713)** each Vote is illustrated in number order on the extreme left, Vote details of which is illustrated over 3 pages):

DEPARTMENT	ADJUSTED BUDGET 2023/2024	SUPPLEMENTS/ (RETURNS)	VIREMENTS	FINANCIAL SYSTEM BUDGET 2023/24	ACTUAL JUNE 2024 (YTD)	% OF PROPOSED ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	49 231 000	-	(8 267 600)	40 963 400	39 442 775	96%
CITY DEVELOPMENT	49 231 000	-	(8 267 600)	40 963 400	39 442 775	96%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	97 080 500	-	(13 060 200)	84 020 300	80 064 298	95%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	2 960 000		(1 717 800)	1 242 200	1 080 025	87%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	89 646 800	-	(10 342 400)	79 304 400	76 176 864	96%
COMMUNITY SERVICES - PROTECTION SERVICES	4 473 700	-	(1 000 000)	3 473 700	2 807 409	81%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	43 352 500	286 400	(7 913 100)	35 725 800	30 256 604	85%
CORPORATE SERVICES - ADMINISTRATION	28 209 000	286 400	(3 061 900)	25 433 500	21 965 617	86%
CORPORATE SERVICES - ICT	14 784 500		(4 846 200)	9 938 300	7 983 767	80%
CORPORATE SERVICES - LEGAL SERVICES	1 000	-	(1 000)	-	-	0%
CORPORATE SERVICES - HUMAN RESOURCES	358 000	-	(4 000)	354 000	307 220	87%
CHIEF FINANCIAL OFFICER	13 633 500	300 000	(69 500)	13 864 000	13 101 285	94%
FINANCIAL SERVICES	13 633 500	300 000	(69 500)	13 864 000	13 101 285	94%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	141 830 300	3 757 300	(26 575 800)	119 011 800	107 383 878	90%
ELECTRICAL SUPPLY SERVICES	141 830 300	3 757 300	(26 575 800)	119 011 800	107 383 878	90%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	472 135 700	12 001 000	55 886 200	540 022 900	523 146 693	97%
ENGINEERING SUPPORT SERVICES	154 671 800	-	10 353 200	165 025 000	152 151 951	92%
TRANSPORT, ROADS AND STORMWATER	94 422 500	-	(3 517 600)	90 904 900	87 994 093	97%
WATER AND SANITATION	223 041 400	12 001 000	49 050 600	284 093 000	283 000 648	100%
OFFICE OF THE MUNICIPAL MANAGER	143 000	-	-	143 000	124 182	87%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	143 000	-	-	143 000	124 182	87%
TOTAL CAPITAL BUDGET	817 406 500	16 344 700	-	833 751 200	793 519 714	95%

13. CAPITAL PROGRAMME PERFORMANCE

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

- Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G – DMS 1682507**).
- Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H – DMS 1682507**).
- Table SC12 - Monthly capital expenditure trend (**Annexure U – DMS 1682507**).
- Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V – DMS 1682507**).

- Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W – DMS 1682507**).
- Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X – DMS 1682507**).
- Table SC13d - Monthly depreciation by asset class (**Annexure Y– DMS 1682507**).
- Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1682507**).

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1682885 (Annexure AV)**.

PART 4 - OTHER LEGISLATION REQUIREMENTS

15. WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003), the Accounting Officer must within 30 days after the end of each quarter, table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AS (DMS 1665713)** for Form D.

“Withdrawals from municipal bank accounts-

“(a) to defray expenditure authorised in terms of Section 26(4).”

None

“(b) to defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1).”

None

“(c) in the case of a bank account opened in terms of Section 12 to make payments from the account in accordance with Sub-section (4) of that section.”

None

“(d) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state.”

R24 928 747,90 (NPA vehicle licence pay over).

“(e) to refund money incorrectly paid into a bank account.”

R130 209,84

“(f) to refund guarantees sureties and security deposits.”

R953 762,14 (Refund of credit balances and deposits debtors accounts).

“(g) for cash management and investment purposes in accordance with Section 13.”

Refer to **Annexure O** and **Annexure S**.

16. CRITERIA ASSESSMENT: FINANCIAL PROBLEM AT MUNICIPALITY IN TERMS OF SECTION 138 AND 140 OF THE MFMA

CRITERIA TO ASSESS FINANCIAL PROBLEMS AT MUNICIPALITY'S	Yes/No	Comment where applicable
Section 138 of the MFMA:		
a) The municipality has failed to make payments as and when due.	NO	
b) The municipality has defaulted on financial obligations for financial reasons.	NO	
c) The actual current expenditure of the municipality has exceeded the sum of its actual current revenue plus available surpluses for at least two consecutive financial years.	NO	
d) The municipality had an operating deficit in excess of 5% revenue in the most recent financial year for which financial information is available.	NO	
e) The municipality is more than 60 days late in submitting its annual financial statements to the AGSA in accordance with section 126 of the MFMA.	NO	
f) The AGSA has withheld an opinion or issued a disclaimer due to inadequacies in the financial statements or records of the municipality or has issued an opinion which identifies a serious financial problem in the municipality.	NO	
g) Any of the above conditions exist in a municipal entity under the municipality's sole control, or in a municipal entity for whose debts the municipality may be responsible, and then municipality has failed to intervene effectively; or	N/A	
h) Any other material condition exist which indicates that the municipality, or municipal entity under the municipality's sole control, is likely to be unable for financial reasons to meet its obligations.	N/A	
Section 140(2) of the MFMA:		
a) The municipality has failed to make any payment to a lender or investor as and when due.	NO	
b) The municipality has failed to meet a contractual obligation which provides security in terms of section 48 of the MFMA,	NO	
c) The municipality has failed to make any other payment as and when due, which individually or in aggregate is more than an amount as may be prescribed or, if none is prescribed, more than 2% of the budgeted operating expenditure, or	NO	
d) The municipality's failure to meet its financial commitments has impacted, or is likely to impact, on the availability or price of credit to other municipalities.	NO	
M. KUNENE: _____		B. MKHWANAZI: _____
COMPLETED BY THE CHIEF FINANCIAL OFFICER		VERIFIED BY CAE/MANAGER: INTERNAL AUDIT

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

The monthly and quarterly financial report is prepared in terms of Section 71 and Section 72 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 30 June 2024, as required in terms of Section 71 and Section 66 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), and as set out in the monthly budget statement tables **(DMS 1682507)** including the quarterly requirements in terms of Section 52(d) be noted; and
2. savings as per Municipal Cost Containment Regulations **(under 4.3)**, be noted.