

17973

## FINANCIAL REPORT AS AT 30 APRIL 2025

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

### PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 30 April 2025 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

### 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 April 2025 is included under **Annexures AA and AB (DMS 1741790)**.

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## PART 1 - IN-YEAR REPORTING

### 1. **MAYOR'S REPORT FOR THE MONTH OF APRIL 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 April 2025, and the performance of the Municipality against its budget in line with the Adjusted Budget approved by Council on 27 February 2025. A detail of all the points highlighted by the Mayor is included in the report.

#### **Operational Budget**

The monthly budget statement summary (Table C1) for the month of April 2025 (year to date actual) shows a deficit of R177 million.

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

#### **Capital Budget**

Council is in the first month for the current financial year fourth quarter and capital expenditure is R404,6 million (64,4%). This is based on the Adjusted Budget of R627 million. R11 million capital budget of Waste Management section has not been spent yet. The council expenditure should have been at 75% by now since only 2 months left before 2025/26.

The performance in this area is **not acceptable**.

## Cash Flow

In terms of Council's Adopted Working Capital Policy, the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 1,34:1 (Working Capital Cash in Bank against average monthly liabilities – R510 386 / R381 872). The performance in this area is **not acceptable**.

## 2. **RESOLUTIONS**

Refer to the recommendations contained in this report.

## 3. **EXECUTIVE SUMMARY**

This section deals with the financial status of the Municipality at an executive level and highlights matters that are of particular importance from the Chief Financial Officer's perspective.

### 3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 30 April 2025:

DESCRIPTION	ADJUSTED BUDGET 2024/2025	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2025 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 338 039 747	4 447 116 570	4 450 547 401	100,08%
Expenditure	5 623 917 106	4 585 282 792	4 535 002 740	98,90%
<b>Operating Surplus/(Deficit)</b>	<b>(285 877 359)</b>	<b>(138 166 221)</b>	<b>(84 455 338)</b>	
Less:				
Equitable Share Received in Advance	-	-	(92 708 500)	
<b>Net Operating Surplus/(Deficit)</b>	<b>(285 877 359)</b>	<b>(138 166 221)</b>	<b>(177 163 838)</b>	

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

Below is the financial performance dashboard extracted from **SAP Reports and Dashboard Module**. It depicts the results as at the end of the month of April 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: APRIL, 2025



### Operating Revenue (R '000)

5,599,452	Original Budget
5,338,040	Adjusted Budget
364,409	Monthly Actual
4,450,547	YTD Actual
4,449,830	YTD Budget
	System Budget

### Operating Expenditure (R '000)

5,589,918	Original Budget
5,623,917	Adjusted Budget
380,803	Monthly Actual
4,535,003	YTD Actual
4,582,997	YTD Budget
5,623,917	System Budget

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

219,003	Original Budget
227,008	Adjusted Budget
21,705	Monthly Actual
166,948	YTD Actual
173,964	YTD Budget
0	System Budget

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

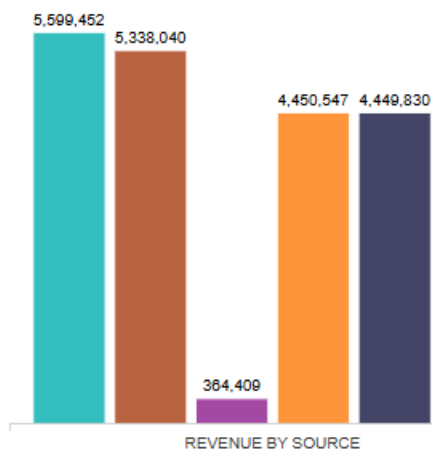
9,534	Original Budget
-285,877	Adjusted Budget
-16,395	Monthly Actual
-84,455	YTD Actual
-133,167	YTD Budget
	System Budget

Overview

Revenue & Expenditure Analysis

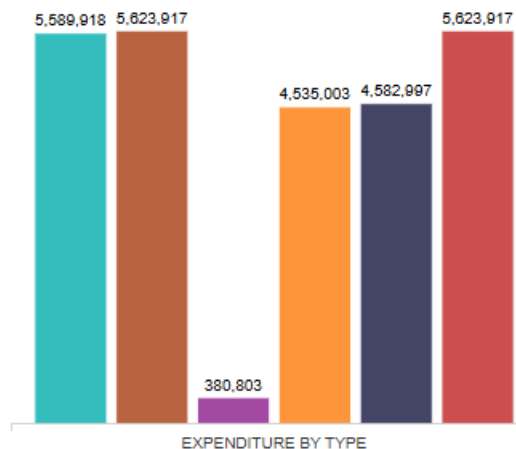
- ☒ Original Budget
- ☐ Adjusted Budget
- ☐ Monthly Actual
- ☐ YTD Actual
- ☐ YTD Budget
- ☐ System Budget

### Operating Revenue (R '000)



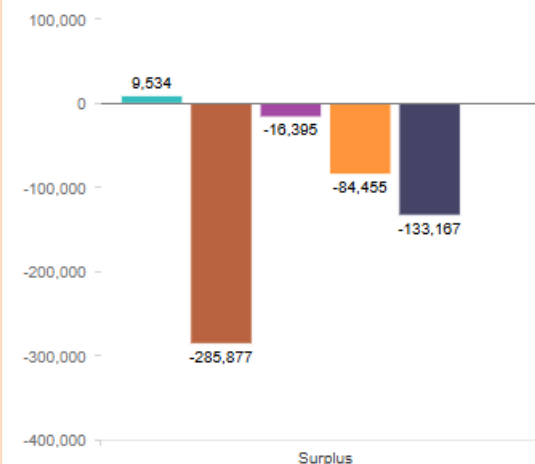
Original Budget  
Adjusted Budget  
Monthly Actuals  
Year to Date Actuals  
Year to Date Budget  
Full Year Forecast

### Operating Expenditure (R '000)



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

### Surplus (R '000)



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

NOTES:

OFFICIAL FINAL VERSION

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### 3.2 Cash Flow Situation

#### **Council's Working Capital Policy:**

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be **two (2) times** the average monthly creditors of the municipality. This ratio currently sits at 1,34:1 (R510 386/381 872).

It is absolutely important that readers of the report know that "Working Capital" does not address the real amount of funds that Council should have in place when taking into account **all statutory requirements as per Council Cash, Investments and Reserves Policy (DMS 1647921)**. As at 30 April 2025 that figure should be R1 381 billion and not R510 million.

### 3.3 Grants Balances

DESCRIPTION OF GRANT	REVISED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 30/04/2025	ACTUAL EXPENDITURE AS AT 30/04/2025	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>NATIONAL TREASURY</b>						
Equitable Share	556 251 000	556 251 000	463 542 500	83%	83%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services.
Integrated Urban Development Grant-IUDG	152 438 000	152 438 000	118 744 082	78%	78%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 500 000	2 500 000	2 038 781	82%	82%	The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement Finance Management Act (MFMA).
Water services infrastructure grant	38 600 000	38 600 000	38 600 000	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.
Extended Public Works Programme	2 437 000	2 437 000	1 670 601	69%	69%	The grant is for the operational expenditure for EPWP. Expenditure shown has been incurred in the period under review
Integrated National Electrification Programme Grant	7 910 000	7 910 000	3 933 093	50%	50%	The grant is to address the electrification backlog of all existing and planned residential dwellings and to install all relevant bulk infrastructure.
Energy Efficiency and Demand Management	5 500 000	5 500 000	1 240 030	23%	23%	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.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>765 636 000</b>	<b>765 636 000</b>	<b>629 769 086</b>	<b>82%</b>	<b>82%</b>	

DESCRIPTION OF GRANT	REVISED GRANTS BUDGET 2024/25	AMOUNT RECEIVED AS AT 30/04/2025	ACTUAL EXPENDITURE AS AT 30/04/2025	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
<b>PROVINCIAL TREASURY</b>						
Provincialisation of Libraries	10 016 000	10 016 000	31 511 614	315%	315%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 124 000	2 124 000	1 656 408	78%	78%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	4 429 000	3 408 033	18 773 516	551%	424%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	260 000	-	3 141 368	0%	1208%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>16 829 000</b>	<b>15 548 033</b>	<b>55 082 906</b>	<b>354%</b>	<b>327%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>782 465 000</b>	<b>781 184 033</b>	<b>684 851 992</b>	<b>88%</b>	<b>88%</b>	

### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 30 April 2025:

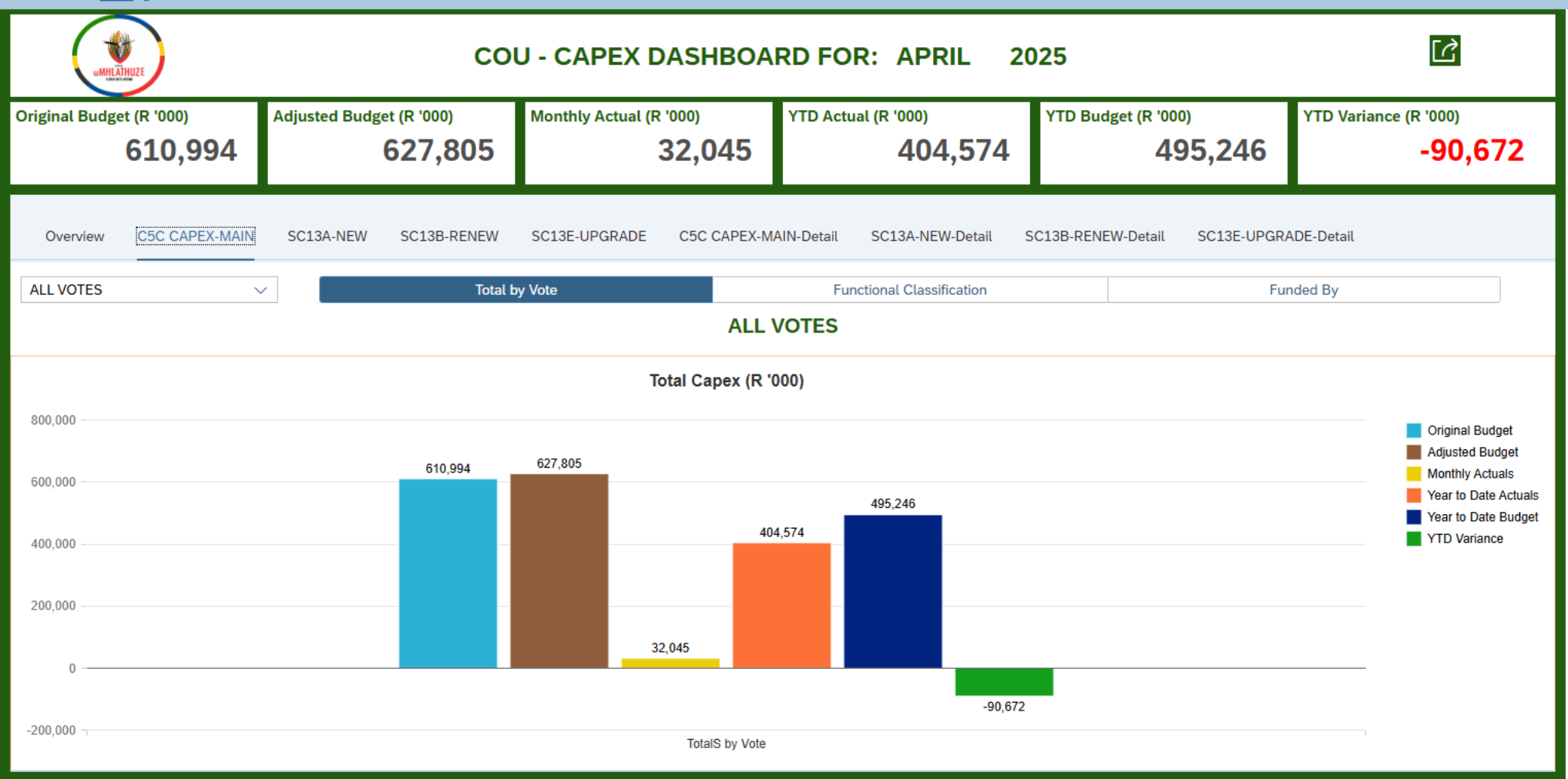
FUNCTION	ADJUSTED BUDGET 2024/2025	ACTUAL APRIL 2025 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Mayor and Council	52 000	15 072	28,98%
Finance and Administration	65 842 700	23 709 930	36,01%
Community and Social Services	11 135 700	442 834	3,98%
Sport and Recreation	31 117 700	39 401 135	126,62%
Public Safety	675 000	-	0,00%
Housing	3 198 000	-	0,00%
Planning and Development	49 075 000	12 370 406	25,21%
Road Transport	94 418 400	77 173 904	81,74%
Environmental Protection	78 000	-	0,00%
Air Transport - Air port	12 399 000	10 569 994	85,25%
Energy Sources	76 690 300	15 142 227	19,74%
Water Management	202 882 200	157 122 255	77,45%
Waste Water Management	68 425 200	68 626 224	100,29%
Waste Management	11 816 000	-	0,00%
	<b>627 805 200</b>	<b>404 573 982</b>	<b>64,44%</b>

It is noted that Waste Management have not spent on their Capital Budget which might be alarming to Auditor General and National Treasury when this starts to occur between May and June when they failed to do this in 10 months.

#### Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADJUSTED BUDGET 2024/2025	ACTUAL APRIL 2025 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	380 157 400	224 096 135	58,95%
Capital Replacement Reserve	18 074 400	5 166 267	28,58%
Integrated Urban Development Grant	144 863 000	104 106 646	71,87%
Government Grants - National	81 512 600	69 944 936	85,81%
Government Grants - Provincial	632 500	565 420	89,39%
Self Insurance Reserves	2 565 300	694 578	27,08%
<b>TOTAL</b>	<b>627 805 200</b>	<b>404 573 982</b>	<b>64,44%</b>

Capital Expenditure by Vote (Departments)



### 3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 30 April 2025:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2024/2025	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2025 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 197 348 600	972 580 607	948 543 139	97,53%
Remuneration of Councillors	38 433 400	30 260 294	28 233 645	93,30%
Bulk Purchases - Electricity	1 802 030 900	1 485 989 213	1 485 904 644	99,99%
Inventory consumed - Water	320 816 181	267 346 818	237 939 771	89,00%
Inventory consumed - Materials	165 164 619	137 637 182	134 532 453	97,74%
Debt Impairment	202 711 600	173 220 952	175 350 887	101,23%
Depreciation and asset impairment	352 759 106	292 460 852	290 740 790	99,41%
Finance Charges	184 846 100	154 038 417	161 055 737	104,56%
Contracted Services	584 436 100	425 606 374	379 595 194	89,19%
Transfers and Subsidies	6 432 000	5 360 000	1 820 462	33,96%
Irrecoverable debts written off	-	-	8 082 646	0,00%
Operational costs	398 934 100	332 445 083	293 128 976	88,17%
Losses - Water Inventory (note 1)	370 004 400	308 337 000	390 074 396	126,51%
<b>TOTAL</b>	<b>5 623 917 106</b>	<b>4 585 282 792</b>	<b>4 535 002 740</b>	<b>98,90%</b>

The above table represents operating expenditure per category as at 30 April 2025.

## **WATER LOSS OR NON REVENUE WATER BROKEN DOWN**

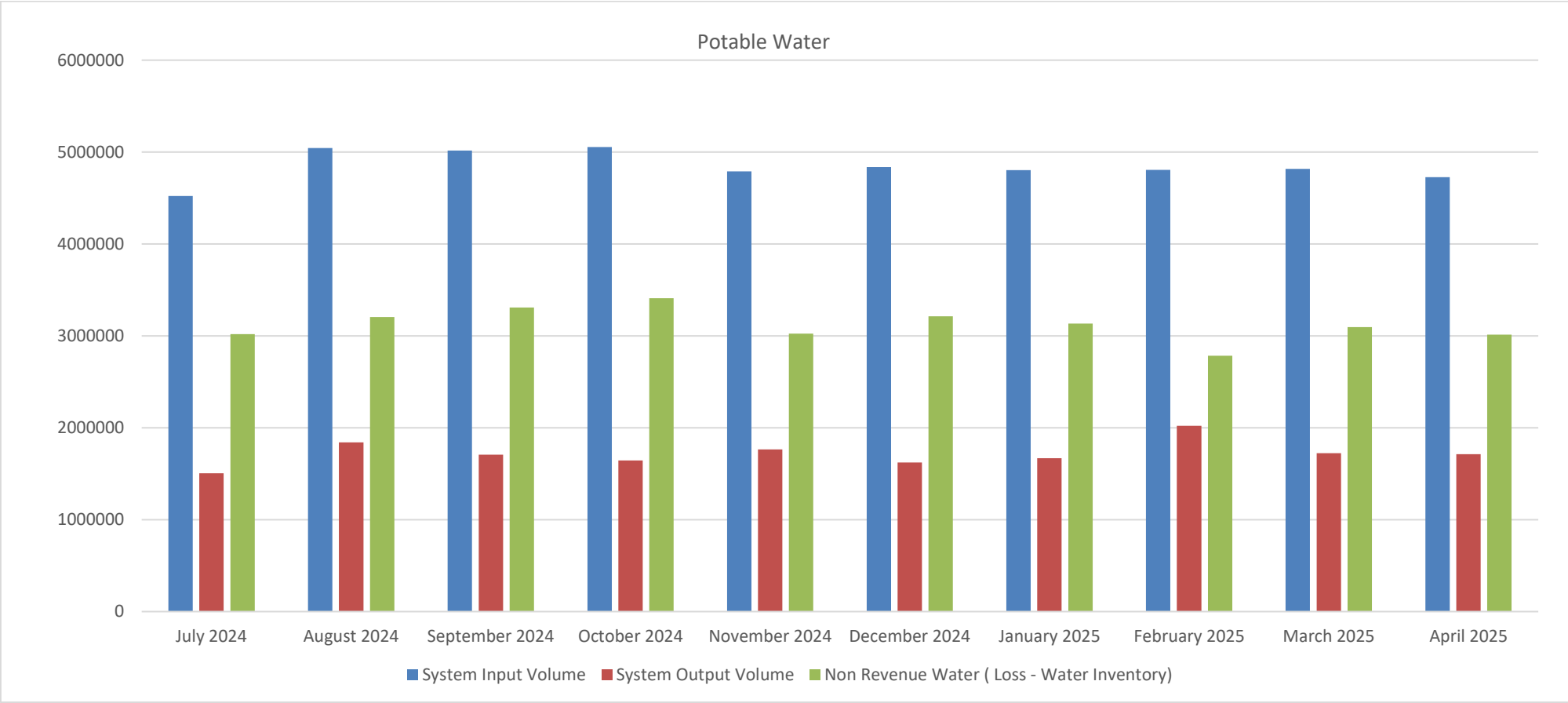
In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. In financial terms water is referred to as water inventory. This model is derived from the Internal Water 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:**

<b>Water Inventory - in Rands</b>						
<b>Water Inventory</b>	<b>Adopted Budget</b>			<b>Year to Date Actuals</b>		
	<b>Total</b>	<b>Potable</b>	<b>Clarified</b>	<b>Total</b>	<b>Potable</b>	<b>Clarified</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Output</b>						
Inventory consumed - Water Billed (Authorised)	318 387 100	298 002 400	20 384 700	235 583 929	216 272 987	19 310 942
Inventory consumed - Water Unbilled (Authorised)	6 952 900	6 725 400	227 500	2 355 839	2 162 730	193 109
Total - Inventory consumed - Water	325 340 000	304 727 800	20 612 200	237 939 768	218 435 717	19 504 051
Non Revenue Water ( Loss - Water Inventory)	369 949 800	367 816 800	2 133 000	389 965 621	386 821 273	3 144 349
% Loss - Water Inventory	53,2%	54,7%	9,4%	62,1%	63,9%	13,9%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>695 289 800</b>	<b>672 544 600</b>	<b>22 745 200</b>	<b>627 905 390</b>	<b>605 256 990</b>	<b>22 648 400</b>

<b>Water Inventory - in Units (kl)</b>						
<b>Water Inventory</b>	<b>Adopted Budget</b>			<b>Year to Date Actuals</b>		
	<b>Total</b>	<b>Potable</b>	<b>Clarified</b>	<b>Total</b>	<b>Potable</b>	<b>Clarified</b>
	<b>kl</b>	<b>kl</b>	<b>kl</b>	<b>kl</b>	<b>kl</b>	<b>kl</b>
<b>Output</b>						
Inventory consumed - Water Billed (Authorised)	29 777 318	25 027 318	4 750 000	19 800 286	17 210 962	2 589 324
Inventory consumed - Water Unbilled (Authorised)	617 827	564 827	53 000	198 003	172 110	25 893
Total - Inventory consumed - Water	30 395 145	25 592 145	4 803 000	19 998 289	17 383 071	2 615 217
Non Revenue Water ( Loss - Water Inventory)	31 387 591	30 890 591	497 000	31 307 641	30 834 725	472 916
Non Revenue Water (% Loss - Water Inventory)	50,8%	54,7%	9,4%	61,0%	63,9%	15,3%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>61 782 736</b>	<b>56 482 736</b>	<b>5 300 000</b>	<b>51 305 930</b>	<b>48 217 796</b>	<b>3 088 133</b>

Potable Water Inventory - in Units (kl)										
Water Inventory	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025	March 2025	April 2025
System Input Volume	4 522 239	5 044 436	5 016 592	5 053 885	4 788 885	4 835 422	4 802 090	4 806 008	4 818 062	4 727 427
System Output Volume	1 504 562	1 840 172	1 707 798	1 644 168	1 764 576	1 623 215	1 669 220	2 021 167	1 723 361	1 712 722
Non Revenue Water ( Loss - Water Inventory)	3 017 677	3 204 264	3 308 794	3 409 717	3 024 309	3 212 207	3 132 870	2 784 841	3 094 701	3 014 705



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

	Apr-25				YTD AS AT 30 April 2025			
	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)	Zone 1 (Richards Bay , Nseleni, Khoza, Mandlanzini, Meerensee , Mzingazi)	Zone 2 (Empangeni, Ngwelezane,Zungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
<b>System Input (Purchased and Produced)</b>	1 862 120	1 996 462	868 845	168 610	18 234 470	20 449 948	9 533 378	3 088 133
Kl/Day	62 071	66 549	28 962	5 620	600 517	672 823	313 628	101 779
<b>System Out Put - Inventory Consumed</b>	1 165 549	407 979	156 321	168 610	10 581 368	5 083 081	1 718 623	2 615 217
Kl/Day	38 852	13 599	5 211	5 620	349 273	167 552	56 606	86 381
Inventory consumed - Water Billed (Authorised)	1 154 009	403 940	154 773	166 941	10 476 602	5 032 753	1 701 607	2 589 324
Inventory consumed - Water Unbilled (Authorised)	11 540	4 039	1 548	1 669	104 766	50 328	17 016	25 893
<b>Non Revenue Water (Water Loss)</b>	696 571	1 588 483	712 524	-	7 653 102	15 366 867	7 814 755	472 916
Kl/Day	23 219	52 949	23 751	-	250 529	503 707	256 140	15 398
Water Losses:Apparent Losses:Customer Meter Inaccuracies	62 691	142 963	64 127	-	688 779	1 383 018	703 328	42 562
Water Losses:Apparent Losses:Unauthorized Consumption (Theft)	34 829	79 424	35 626	-	382 655	768 343	390 738	192
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	28 211	64 334	28 857	-	309 951	622 358	316 498	20 326
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	160 803	366 701	164 486	-	1 766 719	3 547 441	1 804 036	115 857
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	375 208	855 636	383 801	-	4 122 343	8 277 363	4 209 418	270 333
Water Losses:Data Transfer and Management Errors	34 829	79 424	35 626	-	382 655	768 343	390 738	23 646
<b>Non Revenue Water (% Loss - Water Inventory)</b>	37,4%	79,6%	82,0%	0,0%	42,0%	75,1%	82,0%	15,3%
<b>Total Water Inventory (Consumed plus losses)</b>	1 862 120	1 996 462	868 845	168 610	18 234 470	20 449 948	9 533 378	3 088 133

### 3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2024/2025	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL APRIL 2025 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
<b>Exchange Revenue</b>				
Service Charges – Electricity revenue	2 348 456 700	1 894 626 316	1 934 303 168	102,09%
Service Charges – Water revenue	572 907 000	468 433 852	466 292 871	99,54%
Service charges - Waste Water Management	132 281 600	113 776 559	112 129 103	98,55%
Service charges - Waste management	120 401 900	102 884 863	103 922 803	101,01%
Sale of Goods and Rendering of Services	76 627 247	38 659 540	24 239 533	62,70%
Agency services	8 364 800	6 970 667	8 581 498	123,11%
Interest earned from Receivables	29 400	24 500	2 132	8,70%
Interest from Current and Non Current Assets	45 000 000	32 073 673	31 388 590	97,86%
Rent on Land	2 811 700	1 866 928	1 659 086	88,87%
Rental from Fixed Assets	16 264 500	10 494 933	10 420 407	99,29%
Operational Revenue	15 736 400	13 113 667	16 160 297	123,23%
<b>Non-Exchange Revenue</b>				
Property rates	778 223 600	647 887 822	638 650 204	98,57%
Surcharges and Taxes	7 832 900	6 419 757	7 741 213	120,58%
Fines, penalties and forfeits	5 313 500	4 711 053	7 092 609	150,55%
Licence and permits	3 631 700	3 043 699	2 998 240	98,51%
Transfers and subsidies - Operational	592 697 200	592 697 200	578 131 257	97,54%
Interest	1 870 000	1 440 209	1 584 376	110,01%
Other Gains	27 840 801	23 200 667	23 257 060	100,24%
Gains on disposal of Assets	-	-	12 656 614	0,00%
Gains - Water Inventory	581 748 799	484 790 666	469 336 340	96,81%
<b>TOTAL OPERATING REVENUE</b>	<b>5 338 039 747</b>	<b>4 447 116 570</b>	<b>4 450 547 401</b>	<b>100,08%</b>
<b>LESS: EQUITABLE SHARE</b>				
Equitable Share Received in Advance	-	-	(92 708 500)	0,00%
<b>TOTAL REVENUE</b>	<b>5 338 039 747</b>	<b>4 447 116 570</b>	<b>4 357 838 901</b>	<b>97,99%</b>

The above table represents operating revenue per category as at 30 April 2025.

### 3.7 Surplus and Deficit by Function

FUNCTION	ADJUSTED BUDGET 2024/25			ACTUAL AS AT 30 APRIL 2025		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	806 000	59 087 425	(58 281 425)	1 568 720	29 901 702	(28 332 982)
Finance and Administration	1 073 971 300	273 939 079	800 032 221	884 103 807	198 877 424	685 226 383
Internal Audit	27 500	191 500	(164 000)	22 750	(970 255)	993 005
Community and Social Services	18 094 400	149 164 405	(131 070 005)	16 690 488	121 083 989	(104 393 501)
Sport and Recreation	13 277 400	225 880 856	(212 603 456)	10 108 820	177 501 266	(167 392 446)
Public Safety	8 048 600	226 593 428	(218 544 828)	5 673 652	152 020 914	(146 347 263)
Housing	72 744 000	96 379 953	(23 635 953)	17 679 250	37 540 503	(19 861 254)
Health	-	7 063 100	(7 063 100)	-	5 892 633	(5 892 633)
Planning and Development	15 812 800	103 750 433	(87 937 633)	16 584 647	77 466 105	(60 881 458)
Road Transport	15 899 900	296 594 036	(280 694 136)	14 327 238	249 957 965	(235 630 727)
Enviromental Protection	65 900	13 825 583	(13 759 683)	221 612	6 484 626	(6 263 014)
Air T ransport and other	5 315 300	35 612 791	(30 297 491)	4 960 076	27 401 457	(22 441 381)
Energy sources	2 408 520 900	2 309 105 195	99 415 705	1 986 405 579	1 906 294 772	80 110 807
Water management	1 217 070 800	1 270 749 340	(53 678 540)	987 945 520	1 102 068 901	(114 123 381)
Waste water management	256 423 300	351 521 682	(95 098 382)	216 138 948	282 612 635	(66 473 687)
Waste management	231 961 600	204 458 299	27 503 301	195 407 795	160 868 102	34 539 693
<b>Total</b>	<b>5 338 039 700</b>	<b>5 623 917 106</b>	<b>(285 877 406)</b>	<b>4 357 838 901</b>	<b>4 535 002 740</b>	<b>(177 163 838)</b>

NOTES:

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### **Exceptional Observations**

The table above sets out the surplus and deficit for each function. It is important to note that although the trading services namely Energy Sources, Water Management, Waste Water Management and Waste Management are expected to be profitable, only Energy Sources is making profit which is a huge concern (please see comments on 3.6 above).

### **3.8 Exception Sub Function Budget Summary**

The following tables illustrate the total budget performance per function (budget vs actuals). This will enable monitoring of revenue, expenditure and capital spending on a monthly basis. Fleet management and Air Transport (Airport) has been identified at this stage.

<b>FLEET MANAGEMENT</b>				
	<b>ADJUSTED BUDGET 2024/25</b>	<b>PRO-RATA ADJUSTED BUDGET (YTD)</b>	<b>ACTUAL APRIL 2025 (YTD)</b>	<b>% PRO-RATA ADJUSTED BUDGET SPENT</b>
Revenue	3 215 000	2 679 167	2 194 274	82%
Expenditure	33 703 367	28 086 139	87 738 027	312%
<b>Surplus/(Deficit)</b>	<b>(30 488 367)</b>	<b>(25 406 973)</b>	<b>(85 543 753)</b>	
Capital	9 955 500	8 296 250	10 551 380	127%

Fleet expenditure is high in the month of April 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.

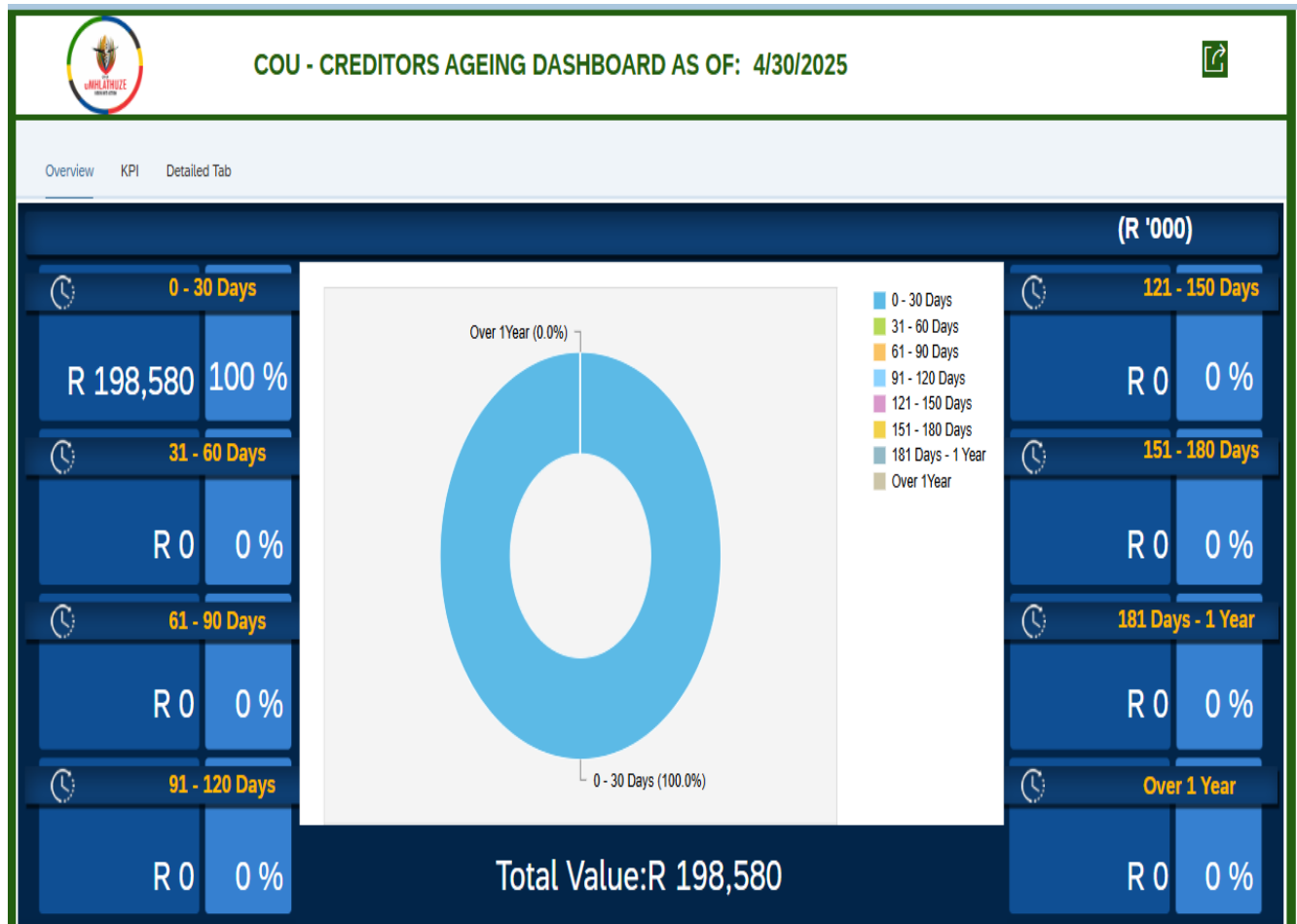
<b>AIR TRANSPORT (AIRPORT)</b>				
	<b>ADJUSTED BUDGET 2024/25</b>	<b>PRO-RATA ADJUSTED BUDGET (YTD)</b>	<b>ACTUAL APRIL 2025 (YTD)</b>	<b>% PRO-RATA ADJUSTED BUDGET SPENT</b>
Revenue	5 616 500	5 080 417	5 062 656	100%
Expenditure	30 625 991	25 521 659	23 402 290	92%
<b>Surplus/(Deficit)</b>	<b>(25 009 491)</b>	<b>(20 441 242)</b>	<b>(18 339 634)</b>	
Capital	3 999 000	3 332 500	343 970	10%

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
	<b>R</b>
Bulk Electricity	146 069 507
PAYE deductions	15 630 309
Pensions / Retirement deductions	14 486 482
Trade Creditors	22 393 879
<b>Total By Customer Type</b>	<b>198 580 177</b>



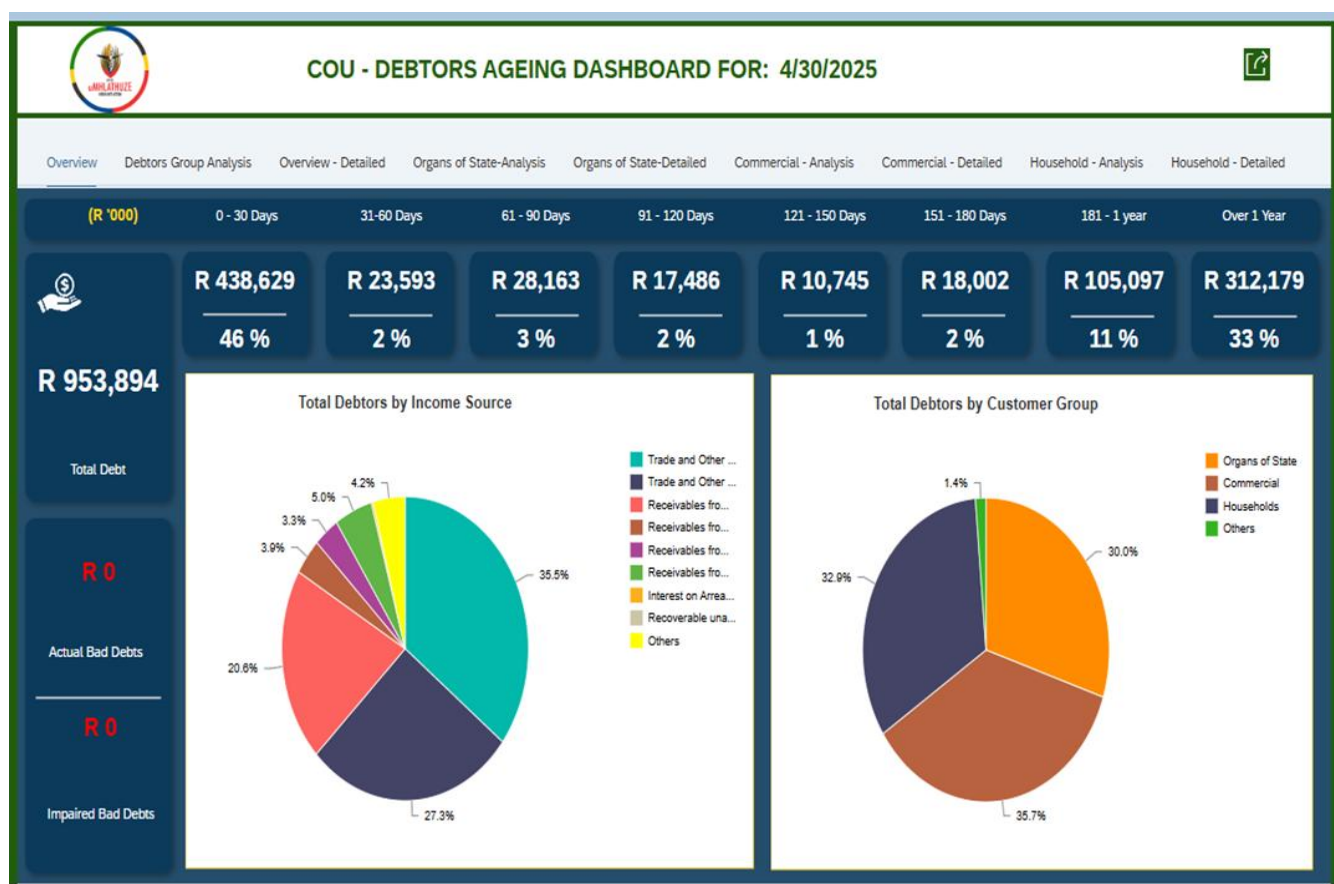
The above table represents the ageing of creditors outstanding as at 30 April 2025. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of April 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	170 177 105	5 188 174	6 360 407	104 710 252	286 435 938
Business	197 777 028	8 760 624	7 095 360	126 892 931	340 525 942
Households	69 507 397	9 320 797	14 234 027	220 775 486	313 837 707
Other	1 167 665	323 411	473 352	11 130 384	13 094 812
<b>Total</b>	<b>438 629 195</b>	<b>23 593 006</b>	<b>28 163 146</b>	<b>463 509 053</b>	<b>953 894 400</b>
%	<b>45,98%</b>	<b>2,47%</b>	<b>2,95%</b>	<b>48,59%</b>	

Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National Treasury determined the formulas for every financial ratio in terms of Circular 71. These formulas will, therefore be used in the reporting.



## Debt Collection Rate

The Ratio indicates the collection rate; *i.e.* level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. The following formula and norm is included in the Circular:

<b>Formula (As per circular 71)</b>	<b>Norm</b>
Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	The norm is <b>95%</b>

PAYMENT RATIO'S					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	12 Month Rolling %	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		96%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance end April 2025	762 896 333	
			Gross Debtors opening balance May 2024	656 726 128	
			Bad debts written Off May2024 to April 2025	49 300 034	
			Billed Revenue May 2024 - April 2025	3 911 720 333	

## 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:

<b>Formula (As per circular 71)</b>	<b>Norm</b>
(Gross Debtors - Bad Debt Provision) / Billed Revenue) x 365	The norm is <b>30 Days</b>

NETT DEBTORS IN DAYS					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	12 Month Rolling %	INTERPRETATION
2	Net Debtors Days	30 days		46 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance end March 2025	762 896 333	
			Bad debts Provision / Impairment 2024 / 2025	274 732 500	
			Billed Revenue April 2024 - March 2025	3 911 720 333	

## 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
188345	STATE OWNED ENTITIES	4 138 678	-	4 304 691	1 746 653	16 170 509	26 360 531
1854904	PRIVATE BUSINESS	-	-	-	-	22 333 088	22 333 088
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 930	21 328 930
30000543	PRIVATE BUSINESS	580 710	290 355	290 355	290 355	8 834 074	10 285 849
2369555	STATE OWNED ENTITIES	440 240	221 215	219 025	221 261	6 824 077	7 925 818
1153881	PRIVATE BUSINESS	103 640	-	34 547	34 547	7 615 958	7 788 692
416383	PRIVATE BUSINESS	170 688	-	170 688	85 344	7 227 140	7 653 859
2367149	STATE OWNED ENTITIES	377 219	189 548	187 671	189 587	5 847 209	6 791 235
2328365	STATE OWNED ENTITIES	-	-	-	-	6 496 650	6 496 650
1610626	PRIVATE BUSINESS	-	-	69 723	-	6 185 169	6 254 892
		<b>5 811 175</b>	<b>701 118</b>	<b>5 276 700</b>	<b>2 567 747</b>	<b>108 862 804</b>	<b>123 219 544</b>

## 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	8 513 673	1 488 880	350 811	248 889	2 863 255	13 465 509
Provincial	13 913 268	2 728 839	5 266 847	2 053 642	42 260 167	66 222 762
Government accounts in Dispute	12 596	6 298	6 298	6 298	779 940	811 430
National Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	8 015 951	1 251 770	144 603	37 899	841 980	10 292 203
SA Revenue Services	43 561	8 753	6 797	13 211	73 780	146 102
Stats SA	43 241	4 918	1 495	-	-	49 654
Dept of Agriculture and Rural Development & land Reform	59 435	22 219	22 310	22 254	793 138	919 356
Department of Water Affairs and Sanitation	351 487	201 220	175 606	175 525	1 154 357	2 058 194
	8 513 673	1 488 880	350 811	248 889	2 863 255	13 465 509
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	-181 094	26 903	26 418	27 310	9 943 203	9 842 739
Education	2 424 727	115 189	267 682	133 739	5 860 757	8 802 094
Tvet Colleges	4 897 764	279 425	4 882 017	1 827 805	21 355 938	33 242 950
Human Settlement	148 061	30 435	24 640	23 715	941 876	1 168 727
Department of Transport	362 911	18 530	13 155	14 422	226 833	635 851
Department of Health	5 993 190	2 187 845	51 892	26 651	3 931 560	12 191 137
COGTA	-	-	-	-	-	-
Department of Social Welfare	267 709	70 512	1 045	-	-	339 266
SANRAL	-	-	-	-	-	-
	13 913 268	2 728 839	5 266 847	2 053 642	42 260 167	66 222 763
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	11 290 230	410 182	-1 022 994	20 173	1 925 254	12 622 845
ESKOM	319 733	56 576	8 648	2 716	117 602	505 277
Telkom	656 689	829	964	3 528	-115 195	546 813
Foskor	42 049 196	19 476	-	-	-	42 068 672
SA Post Office	24 954	483	3 651	1 347	49 378	79 813
Richards Bay IDZ	3 480 236	-	-	-	-	3 480 236
Mhlathuze Water Board	2 989 989	233 264	233 264	236 928	23 655 484	27 348 928
King Cetshwayo District Municipality	9 208 906	-	239 019	171 252	1 582 524	11 201 701
	70 019 934	720 810	-537 449	435 945	27 215 046	97 854 286
Ingonyama Trust Board	866 191	434 979	430 916	435 068	29 445 062	31 612 216

## 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 R158 937,69 as per **Annexure AD - DMS 1741790**.
- Councillors’ debt amounts to R39 224,75 as per **Annexure AC - DMS 1741790**.

### 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 1741790**.

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

The following monthly budget statement tables (**DMS 1742453**) 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 1742453**) for the month ended 30 April 2025.

##### 6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1742453**) for the month ended 30 April 2025.

##### 7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1742453**) for the month ended 30 April 2025.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1742453**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1742453**) for the month ended 30 April 2025.

## **9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1742453**) for the month ended 30 April 2025.

## **10. CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 30 April 2025:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1742453**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1742453**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1742453**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1742453**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1742453**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1742453**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1742453**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1742453**).

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

Refer to **DMS 1743092 - 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:**

the financial position of the uMhlathuze Municipality as at 30 April 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 1742453**), be noted.