

17047

FINANCIAL REPORT AS AT 29 FEBRUARY 2024

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

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 29 February 2024 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

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

BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of February 2024 is included under **Annexures AA and AB (DMS 1658568)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF FEBRUARY 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 February 2024, and the performance of the Municipality against its budget is in line with the Adjusted Budget that was approved by Council in February 2023. 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 February 2024 (year to date actual) shows a deficit of R138,3 million. The performance in this area is **Not Acceptable**.

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is moderate at R532,4 million (65,00%). This is based on the Adopted Budget of R817,4 million. The performance in this area is **Acceptable**.

Cash Flow

In terms of Council's Adopted Working Capital Policy, the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 0,60:1 (Cash in Bank against average monthly liability's – R219 724 / R365 301). This is below the norm 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 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 29 February 2024:

DESCRIPTION	ADJUSTED BUDGET 2023/2024	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL FEBRUARY 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue (excl capital grants)	5 122 626 700	3 264 118 317	3 289 560 820	100,78%
Expenditure	5 286 027 200	3 400 287 722	3 427 847 008	100,81%
Operating Surplus/(Deficit)	(163 400 500)	(136 169 404)	(138 286 188)	

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 February 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.



COU - FINANCIAL PERFORMANCE DASHBOARD FOR: FEBRUARY, 2024



Operating Revenue (R '000)

4,931,451 Original Budget
0 Adjusted Budget
340,077 Monthly Actual
3,289,561 YTD Actual
YTD Budget
System Budget

Operating Expenditure (R '000)

4,937,024 Original Budget
0 Adjusted Budget
416,128 Monthly Actual
3,427,847 YTD Actual
YTD Budget
System Budget

Capital Transfers & Subsidies (R '000)

218,836 Original Budget
0 Adjusted Budget
11,856 Monthly Actual
154,406 YTD Actual
YTD Budget
System Budget

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

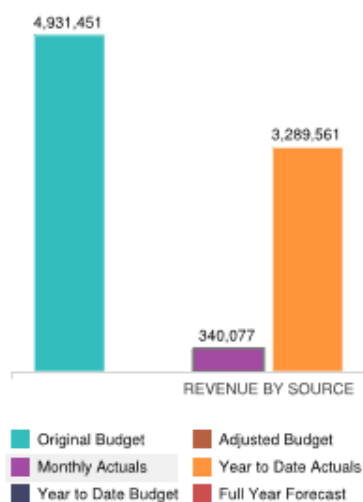
-5,573 Original Budget
0 Adjusted Budget
-76,051 Monthly Actual
-138,286 YTD Actual
YTD Budget
System Budget

Overview

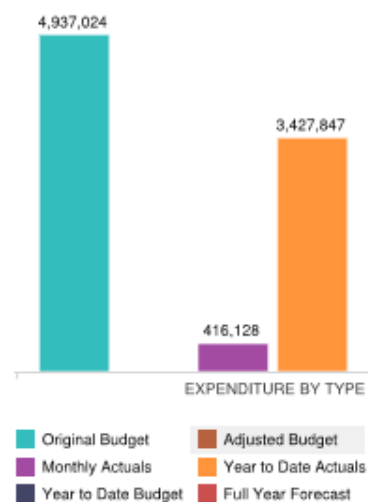
Revenue & Expenditure Analysis

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

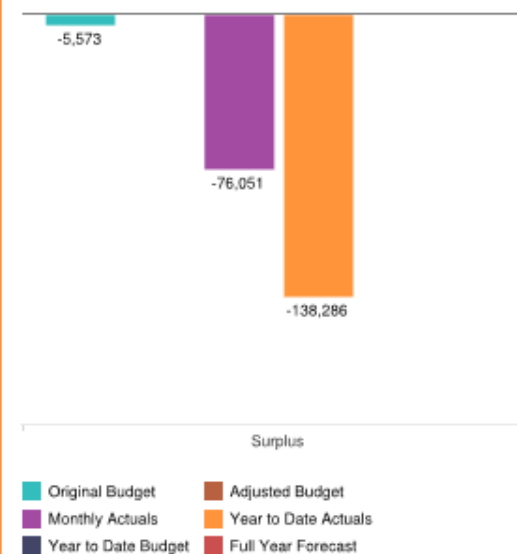
Operating Revenue (R '000)



Operating Expenditure (R '000)



Surplus (R '000)



3.2 Cash Flow Situation

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 0,60:1 (219 724/365 301).

This is fundamentally due to over-expenditure in the previous financial year. Expenditure of which had to be funded from internal reserves, practice of which is not sustainable. This together with the fact that the Municipality has spent R258,7m on capex funded by borrowing, loan of which is not yet received from the successful tenderers as at date of this report.

3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 29/02/2024	ACTUAL EXPENDITURE AS AT 29/02/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
NATIONAL TREASURY						
Equitable Share	520 860 000	390 645 000	347 240 000	89%	67%	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	153 196 000	92 000 000	131 852 612	143%	86%	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	860 370	34%	34%	The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement Finamace Management Act (MFMA).
Water services infrastructure grant	40 000 000	22 000 000	19 537 491	89%	49%	This Grants has been reduced with an amount of 15 Million Rands on the amended DoRa issued in october 2023.Reductions are focused on grants and programmes where there has been significant underspending in recent years.
Extended Public Works Pogramme	2 916 000	2 162 000	2 040 189	94%	70%	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 Gr	14 000 000	4 000 000	4 014 506	100%	29%	The grant is to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings.Expenditure shown is for the period under review.
Municipal Disaster Recovery Grant	26 590 338	26 590 338	11 468 722	43%	43%	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 T reasury into 2023/2024 financial year.
Energy Efficiency and Demand Management	5 000 000	4 000 000	1 612 702	40%	32%	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	765 062 338	543 897 338	518 626 591	95%	68%	

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2023/24	AMOUNT RECEIVED AS AT 29/02/2024	ACTUAL EXPENDITURE AS AT 29/02/2024	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL	COMMENTS
PROVINCIAL TREASURY						
Provincialisation of Libraries	9 593 000	9 593 000	25 405 180	265%	265%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 033 000	2 032 800	1 946 198	96%	96%	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	14 852 663	318%	335%	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	2 608 207	1047%	1047%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
TOTAL PROVINCIAL TREASURY GRANTS	16 304 000	16 539 725	44 812 248	271%	275%	
				-		
TOTAL GRANTS AND SUBSIDIES	781 366 338	560 437 063	563 438 840	101%	72%	

3.4 Capital Budget Summary

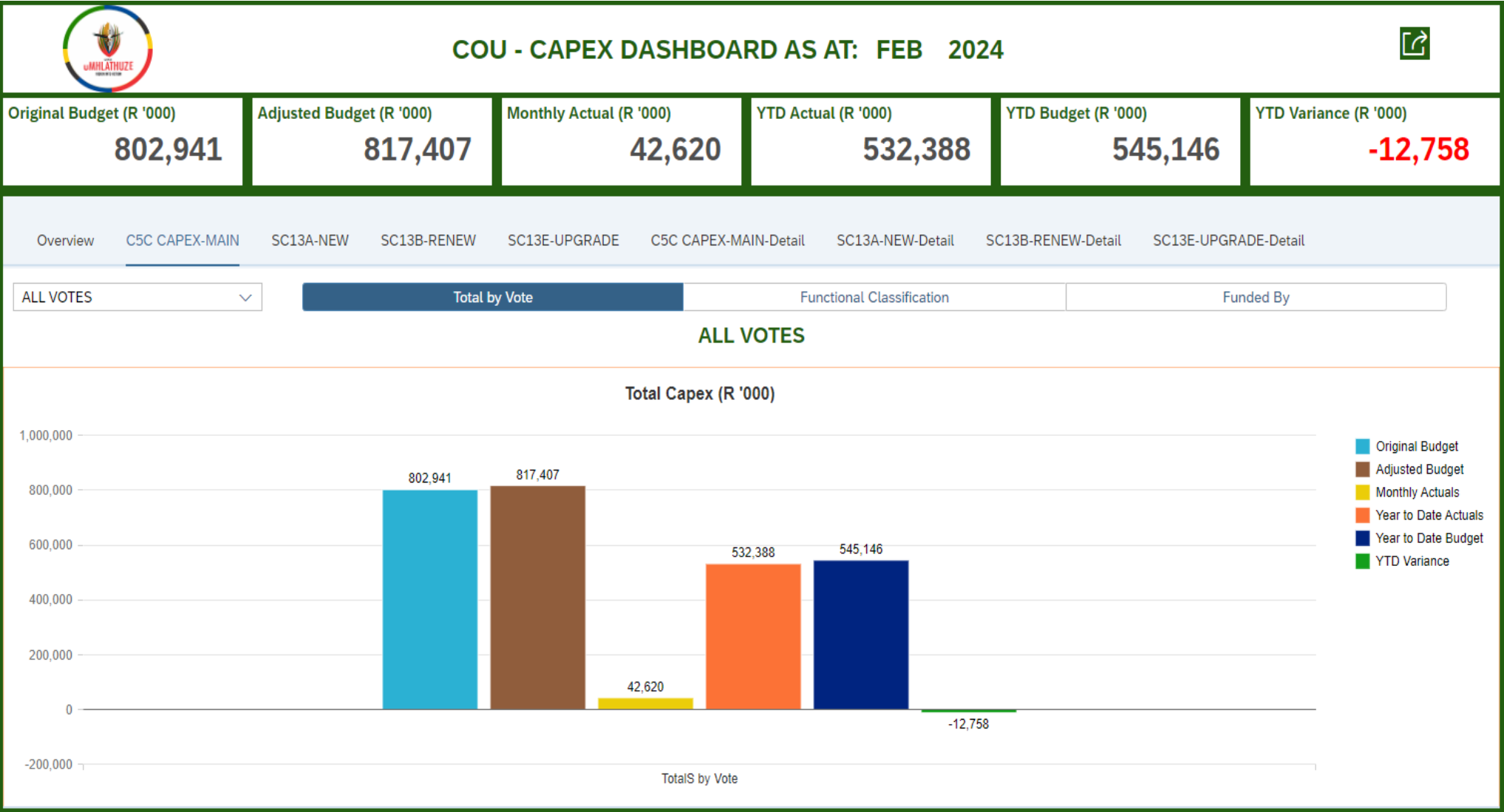
The table below represents Capital Expenditure incurred as at 29 February 2024:

FUNCTION	ADJUSTED BUDGET 2023/2024	ACTUAL FEBRUARY 2024 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Finance and Administration	64 434 300	16 590 544	25,75%
Community and Social Services	57 555 300	29 028 635	50,44%
Energy Sources	106 705 000	52 970 640	49,64%
Executive and Council	123 000	51 162	41,60%
Environmental Protection	4 578 800	150 370	3,28%
Air Transport - Air port	13 424 000	4 275 096	31,85%
Planning and Development	14 777 000	3 465 702	23,45%
Public Safety	1 565 000	257 828	16,47%
Road Transport	133 381 600	70 559 898	52,90%
Sport and Recreation	77 578 400	58 325 113	75,18%
Waste Management	7 530 000	1 936 068	25,71%
Waste Water Management	75 002 900	63 479 906	84,64%
Water Management	260 751 200	231 297 340	88,70%
	817 406 500	532 388 302	65,13%

Capital Expenditure by Source of Funding

SOURCE OF FUNDING	ADJUSTED BUDGET 2023/2024	ACTUAL FEBRUARY 2024 (YTD)	% OF ADJUSTED BUDGET SPENT
	R	R	%
Borrowing	418 774 900	282 010 795	67,34%
Capital Replacement Reserve	177 535 900	99 774 564	56,20%
Integrated Urban Development Grant	145 186 200	112 510 491	77,49%
Government Grants - National	71 150 500	35 898 846	50,45%
Insurance	2 565 300	-	0,00%
Public Contribution (Donation)	2 193 700	2 193 606	100,00%
TOTAL	817 406 500	532 388 302	65,13%

Capital Expenditure by Vote (Departments)



3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 29 February 2024:

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2023/2024	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL FEBRUARY 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 186 691 700	772 008 047	769 138 532	99,63%
Remuneration of Councillors	35 509 700	21 107 420	20 492 548	97,09%
Bulk Purchases - Electricity	1 627 634 200	1 019 752 128	1 019 140 794	99,94%
Inventory consumed - Water	306 540 400	220 458 000	235 752 191	106,94%
Inventory consumed - Materials	188 177 000	118 451 500	116 972 764	98,75%
Debt Impairment	238 596 600	110 967 376	110 434 185	99,52%
Depreciation and asset impairment	320 159 500	208 382 706	206 480 040	99,09%
Finance Charges	158 678 000	105 785 333	106 952 745	101,10%
Contracted Services	493 057 300	328 704 867	330 819 536	100,64%
Transfers and Subsidies	9 959 300	5 556 344	4 762 147	85,71%
Irrecoverable debts written off	-	-	13 086 079	0,00%
Operational costs	377 359 300	234 582 000	227 323 443	96,91%
Loss on Disposal of Land	-	-	7 520 221	
Losses - Water Inventory (note 1)	343 664 200	254 532 000	258 971 782	101,74%
TOTAL	5 286 027 200	3 400 287 722	3 427 847 008	100,81%

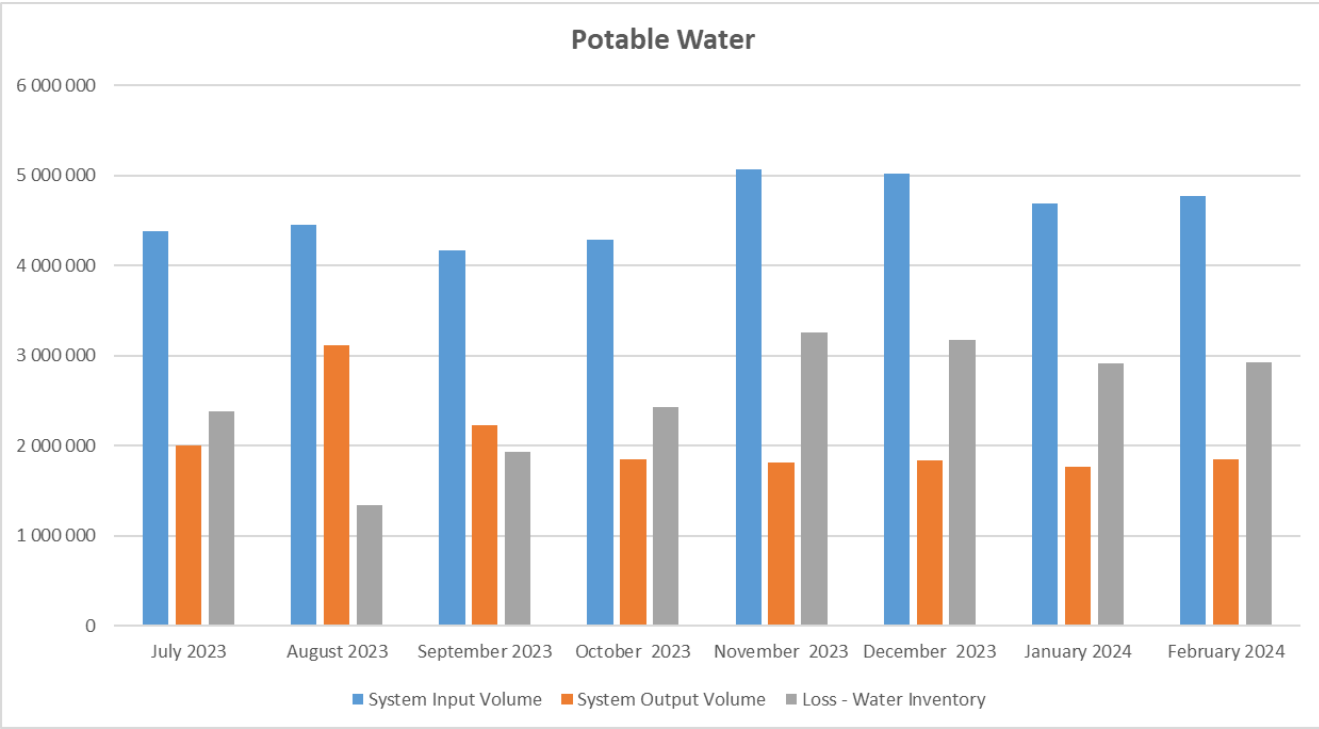
Note 1 and 2 above:

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	233 418 011	216 959 573	16 458 438
Inventory consumed - Water Unbilled (Authorised)	6 501 600	6 304 900	196 700	2 334 180	2 169 596	164 584
Total - Inventory consumed - Water	306 540 400	288 720 200	17 820 200	235 752 191	219 129 169	16 623 022
Loss - Water Inventory	343 609 600	341 765 500	1 844 100	258 490 309	258 029 532	460 777
Total Water Inventory (Consumed plus losses)	650 150 000	630 485 700	19 664 300	494 242 500	477 158 701	17 083 799

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	18 766 228	16 308 160	2 458 068
Inventory consumed - Water Unbilled (Authorised)	593 960	540 960	53 000	187 662	163 081	24 581
Total - Inventory consumed - Water	29 575 358	24 772 358	4 803 000	18 953 890	16 471 241	2 482 649
Loss - Water Inventory	29 820 657	29 323 657	497 000	20 408 069	20 333 717	74 352
% Loss - Water Inventory	50,2%	54,2%	9,4%	51,8%	55,2%	2,9%
Total Water Inventory (Consumed plus losses)	59 396 015	54 096 015	5 300 000	39 361 959	36 804 958	2 557 000

Potable Water Inventory - in Units (kl)								
Water Inventory	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 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
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
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



Water Losses per Zone:

	Feb-24				YTD Actual As At 29 February 2024			
	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,Z ungu)	Zone 3 (Esikhaleni, Felixton, Vulindlela, Mkwanazi North & South)	Zone 4 (Richards Bay - Clarified Water)
	KL	KL	KL	KL	KL	KL	KL	KL
System Input (Purchased and Produced)	1 947 142	1 210 350	1 618 265	280 103	17 096 501	12 141 594	7 566 868	2 540 933
Kl/Day	67 143	41 736	55 802	9 659	569 883	404 720	252 229	73 624
System Out Put - Inventory Consumed	1 127 337	573 049	163 820	284 782	10 154 783	4 912 149	1 404 310	2 487 327
Kl/Day	38 874	19 760	5 649	9 820	327 574	158 456	45 300	80 236
Inventory consumed - Water Billed (Authorised)	1 116 175	567 375	162 198	281 962	10 054 241	4 863 514	1 390 406	2 462 700
Inventory consumed - Water Unbilled (Authorised)	11 162	5 674	1 622	2 820	100 542	48 635	13 904	24 627
Water Lossess	819 805	637 301	1 454 445	-	6 941 718	7 229 445	6 162 558	74 352
Kl/Day	28 269	21 976	50 153	-	239 370	249 291	212 502	2 564
Water Losses:Apparent Losses:Customer Meter Inaccuracies	73 782	57 357	130 900	-	624 755	650 650	554 630	1 185
Water Losses:Apparent Losses:Unauthoried Consumption (Theft)	40 990	31 865	72 722	-	347 086	361 472	308 128	6 165
Water Losses:Real Losses:Leakage and Overflows at Storage Tanks/Reservoirs	33 202	25 811	58 905	-	281 140	292 793	249 584	35 526
Water Losses:Real Losses:Leakage on Service Connections up to the point of Customer Meter	189 252	147 121	335 759	-	1 602 496	1 668 917	1 422 627	5 670
Water Losses:Real Losses:Leakage on Transmission and Distribution Mains	441 588	343 282	783 437	-	3 739 156	3 894 141	3 319 462	22 088
Water Losses:Data Transfer and Management Errors	40 990	31 865	72 722	-	347 086	361 472	308 128	3 718
% Loss - Water Inventory	42,1%	52,7%	89,9%	0,0%	40,6%	59,5%	81,4%	2,9%
Total Water Inventory (Consumed plus losses)	1 947 142	1 210 350	1 618 265	284 782	17 096 501	12 141 594	7 566 868	2 561 679

3.6 Revenue per Category

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2023/2024	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL FEBRUARY 2024 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Exchange Revenue				
Service Charges – Electricity revenue	2 290 831 000	1 348 373 807	1 327 708 938	98,47%
Service Charges – Water revenue	585 000 000	380 952 868	378 686 767	99,41%
Service charges - Waste Water Management	120 256 200	80 592 621	80 648 332	100,07%
Service charges - Waste management	114 668 500	76 095 517	77 661 084	102,06%
Sale of Goods and Rendering of Services	94 780 800	63 187 200	94 002 817	148,77%
Agency services	8 364 800	5 576 533	5 941 185	106,54%
Interest earned from Receivables	29 400	19 600	-	0,00%
Interest from Current and Non Current Assets	40 000 000	26 666 667	20 316 155	76,19%
Rent on Land	1 949 900	1 299 933	1 260 205	96,94%
Rental from Fixed Assets	15 018 500	10 012 333	7 243 822	72,35%
Operational Revenue	11 130 600	7 420 400	8 418 807	113,45%
Non-Exchange Revenue				
Property rates	713 966 800	470 493 322	467 185 542	99,30%
Surcharges and Taxes	6 332 000	4 221 333	3 252 401	77,05%
Fines, penalties and forfeits	12 283 500	8 189 000	2 074 572	25,33%
Licence and permits	3 631 700	2 421 133	2 306 600	95,27%
Transfers and subsidies - Operational	568 972 600	421 655 782	420 729 182	99,78%
Interest	870 000	580 000	837 662	0,00%
Other Gains	26 321 900	17 547 933	17 586 000	100,22%
Gains - Water Inventory	508 218 500	338 812 333	373 700 751	110,30%
TOTAL OPERATING REVENUE	5 122 626 700	3 264 118 317	3 289 560 820	100,78%

The above table represents operating revenue per category as at 29 February 2024.

3.7 Surplus and Deficit by Function

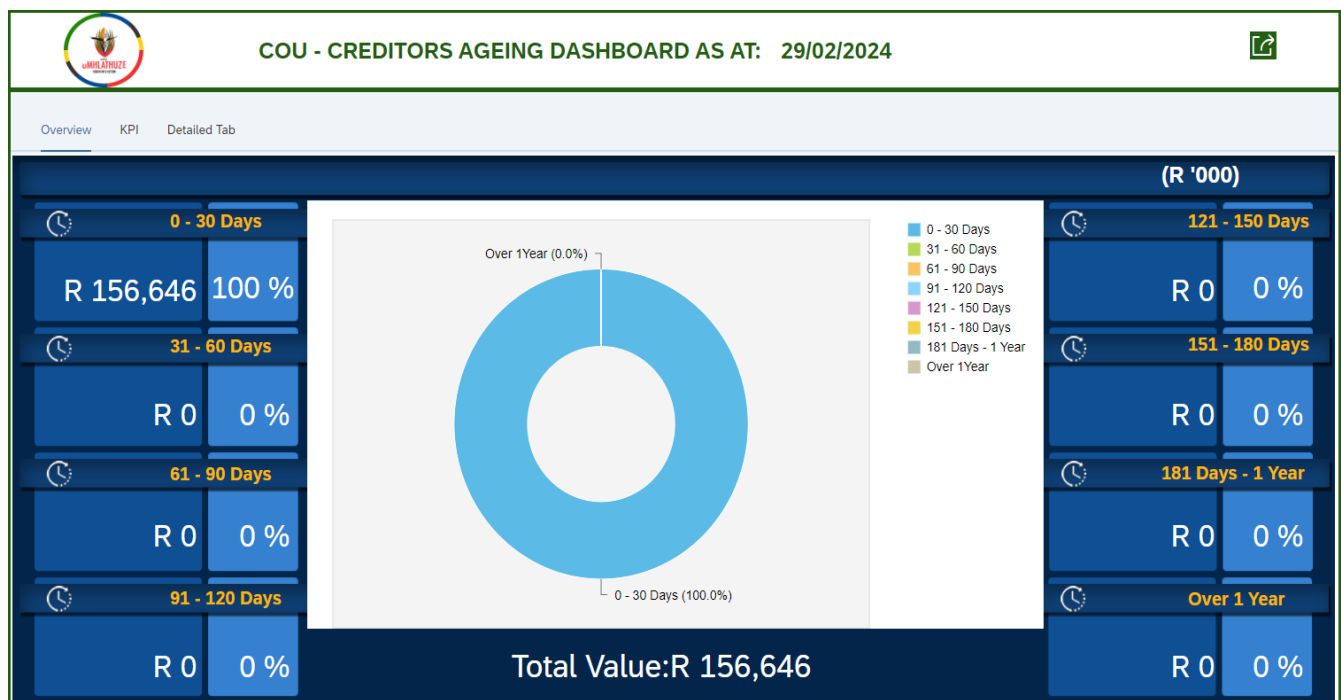
FUNCTION	ADJUSTED BUDGET 2023/2024			ACTUAL AS AT 29 FEBRUARY 2024		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R'000	R'000	R'000	R'000	R'000	R'000
Executive and Council	894 700	43 952 200	(43 057 500)	585 736	24 985 308	(24 399 572)
Finance and Administration	988 848 800	200 225 300	788 623 500	657 766 084	127 966 733	529 799 350
Community and Social Services	17 807 100	147 449 200	(129 642 100)	13 685 495	103 035 281	(89 349 786)
Sport and Recreation	11 601 000	221 295 900	(209 694 900)	7 805 827	140 807 243	(133 001 416)
Public Safety	16 109 100	239 488 500	(223 379 400)	5 764 987	132 741 283	(126 976 296)
Housing	89 737 300	113 577 500	(23 840 200)	91 741 778	105 756 280	(14 014 502)
Environmental Protection	88 700	7 618 800	(7 530 100)	50 275	3 862 308	(3 812 033)
Health	27 500	6 508 200	(6 480 700)	18 333	4 303 222	(4 284 889)
Planning and Development	15 718 600	93 258 500	(77 539 900)	4 998 554	58 608 667	(53 610 113)
Internal Audit	74 200	(382 700)	456 900	49 426	(2 144 396)	2 193 821
Road Transport	28 934 600	313 987 800	(285 053 200)	19 756 800	200 921 939	(181 165 139)
Air Transport and other	3 682 200	28 236 500	(24 554 300)	446 189	16 881 185	(16 434 996)
Energy sources	2 345 528 300	2 137 372 500	208 155 800	1 372 883 690	1 296 980 784	75 902 906
Water management	1 151 498 600	1 191 438 900	(39 940 300)	794 143 128	867 973 396	(73 830 267)
Waste water management	234 660 300	328 593 500	(93 933 200)	166 196 352	218 409 467	(52 213 115)
Waste management	217 415 700	213 406 600	4 009 100	153 668 168	126 758 307	26 909 860
Total	5 122 626 700	5 286 027 200	(163 400 500)	3 289 560 820	3 427 847 008	(138 286 188)

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 **Water Management and Waste Water Management are making a deficit of R73,8 million and R52,2 million respectively.** The deficit is as a result of huge water losses of 55% of portable water (see note 1 and 2 under table 3.5 above). Repairs and maintenance is also contributing through emergency breakdowns that are attended to without due diligence on the scope of work done (cost containment measures require that any breakdown work of more than R500 000 must be verified by independent consultant before payment).

3.8 Creditors Age Analysis

Creditors age analysis by customer type:

Creditors Age Analysis By Customer Type	0 - 30 Days
	R
Bulk Electricity	120 765 831
Pensions / Retirement deductions	13 934 977
Trade Creditors	21 944 939
Total By Customer Type	156 645 747

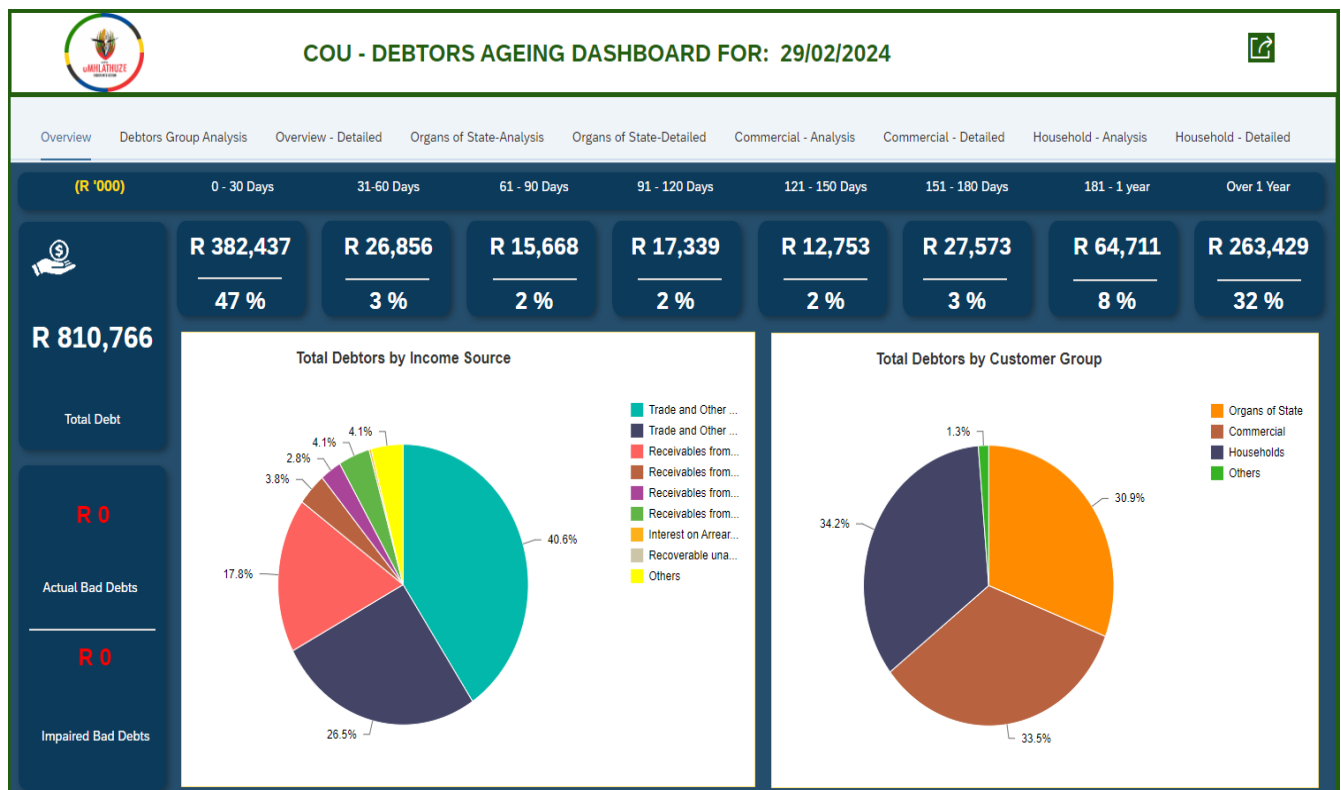


The above table represents the ageing of creditors outstanding as at 29 February 2024. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of February 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, the final signoff and verification still needs to be done by the User Departments.

3.9 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	145 276 427	11 181 158	7 439 353	86 642 322	250 539 260
Business	170 873 144	6 281 131	2 327 798	92 429 154	271 911 227
Households	65 472 920	8 858 456	5 534 198	197 655 044	277 520 619
Other	814 453	535 376	366 350	9 078 977	10 795 156
Total	382 436 943	26 856 121	15 667 700	385 805 497	810 766 262
%	47,17%	3,31%	1,93%	47,59%	



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:

<i>Formula (As per circular 71)</i>	<i>Norm</i>
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	INTERPRETATION
1	Collection Rate - Rolling 12 Months	95%		98%	Please refer to page 5 of MFMA Circular No. 71
			Gross Debtors closing balance Febr 2024	781 339 801	
			Gross Debtors opening balance March 2023	877 258 864	
			Bad debts written Off March 2023 to Febr 2024	186 207 505	
			Billed Revenue March 2023 - Febr 2024	3 677 521 023	

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:

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

NETT DEBTORS IN DAYS					
RATIO	FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days	30 days		50 days	Please refer to page 6 of MFMA Circular No. 71
			Gross Debtors closing balance Febr 2024	781 339 801	
			Bad debts Provision 2023 / 2024	274 153 400	
			Billed Revenue March 2023 - Febr 2024	3 677 521 023	

Top Ten Debtors

TOP TEN DEBTORS FROM ALL CATEGORIES							
Account No	Consumer Type	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days +	Total
1854904	PRIVATE BUSINESS	-	-	-	-	22 377 590	22 377 590
531788	STATE OWNED ENTITIES	-	-	-	-	21 328 793	21 328 793
1675831	STATE OWNED ENTITIES	21 964	6 569	-	15 847	11 186 677	11 231 058
1610626	PRIVATE BUSINESS	-	-	-	-	6 106 823	6 106 823
416383	PRIVATE BUSINESS	81 048	81 048	81 048	243 145	6 058 569	6 544 859
501543	STATE OWNED ENTITIES	521 990	366 227	-	423 285	5 575 877	6 887 379
2328365	STATE OWNED ENTITIES	-	-	-	-	5 516 250	5 516 250
2289941	PRIVATE BUSINESS	1 486	1 118	-	-	5 046 137	5 048 741
30000543	SUNDRIES AND OTHER	275 741	275 741	275 741	827 222	4 624 892	6 279 336
2273109	STATE HOUSEHOLD PROV	-	2 738	-	-	3 907 510	3 910 249
		902 229	733 441	356 789	1 509 499	91 729 118	95 231 076

Government Debt

Government debtors shown as follows:

GOVERNMENT DEPARTMENTS						
National Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	6 534 835	79 331	63 244	29 876	-1 371 529	5 335 757
Dept of Agriculture, Rural Development & Land Reform	16 043	-82 584	7	7	365 592	299 065
Department of Water Affairs and Sanitation	-	0	0	0	-340 188	-340 188
	6 550 878	-3 253	63 251	29 883	-1 346 125	5 294 634
Provincial Departments	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	44 109	-24 170	20 616	-1 020 129	5 809 134	4 829 560
Education	1 370 991	290 090	119 556	291 605	5 708 211	7 780 454
Tvet Colleges	2 453 639	1 070 151	166 536	334 220	2 724 808	6 749 353
Human Settlement	118 466	19 864	5 119	4 969	584 951	733 369
Department of Transport	222 352	14 024	11 971	2 968	62 865	314 179
Department of Health	1 370 182	2 658	-170 579	-1 013	3 630 746	4 831 995
Department of Social Welfare	237 445	48 059	0	0	0	285 504
	5 817 184	1 420 675	153 220	-387 380	18 520 715	25 524 414
Other Organs of State	0-30 days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	7 367 024	184 083	113 500	128 404	-1 075 451	6 717 560
ESKOM	202 698	674	2 298	2 470	92 365	300 505
Ingonyama Trust Board	799 699	395 880	402 469	397 023	21 237 100	23 232 171
Telkom	846 703	852	852	1 796	14 913	865 115
Foskor	34 490 842	23 761,67	15 803,05	593 437,01	1 989 409	37 113 253
SA Post Office	52 072	3 779	3 653	5 356	41 821	106 680
Richards Bay IDZ	3 010 022	0	0	0	0	3 010 022
Mhlathuze Water Board	3 253 647	465 059	0	0	21 328 793	25 047 499
King Cetshwayo District Municipality	16 426 483	8 501 418	6 458 664	588 119	16 889 154	48 863 838
	66 449 189	9 575 507	6 997 239	1 716 604	60 518 103	145 256 642

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.

3.10 Employee Debt / Councillor Debt

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

- Employees' debt amounts to R310 301.30 as per **Annexure AD - DMS 1658568**.
- Councillors' debt amounts to R30 409.14 as per **Annexure AC - DMS 1658568**.

3.11 MFMA Circular No 71 Uniform Financial Ratios

The MFMA Circular 71 contained on **DMS 928606** sets out requirements for financial ratios and norms. This Circular covers various aspects of a municipality's finances, such as financial position, financial performance and budget implementation. These ratios also aid in long-term financial planning and can be used to track progress over a number of years. Norms or standards have been assigned to each financial ratio.

This template is included as **Annexure AF on DMS 1658568**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1658328**) 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 1658328**) for the month ended 29 February 2024.

6. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N - DMS 1658328**) for the month ended 29 February 2024.

7. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O - DMS 1658328**) for the month ended 29 February 2024.

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

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P - DMS 1658328**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q - DMS 1658328**) for the month ended 29 February 2024.

9. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R - DMS 1658328**) for the month ended 29 February 2024.

10. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 29 February 2024:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G - DMS 1658328**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H - DMS 1658328**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U - DMS 1658328**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V - DMS 1658328**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W - DMS 1658328**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X - DMS 1658328**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y - DMS 1658328**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1658328**).

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1658914 - 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 29 February 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 1658328)**, be noted.