



# **SECTION 71 REPORT**

## **JULY 2024**

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## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

The Monthly section 71 report is a report that gives a clear view on the state or performance of the Municipality for that month as well as the year to date performance. Among the impacts that are challenging the Municipality, is the cash flow challenge currently being experienced by the municipality due to among other things declining collection, historic expenditure patterns, high water losses and high rate of indigents within the municipal boundaries.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the UThukela District Municipality .Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

### **1.2 Council Resolutions**

1. The Council of UThukela District Municipality, acting in terms of section 71 of the Municipal Finance Management Act, (Act 56 of 2003) to note :
2. Monthly Budget statements and supporting documents for the months of July 2024.

### **1.3 Executive Summary**

As per Municipal Finance Management Act the municipality needs to prepare section 71 report in a prescribed format as per national treasury regulations.

The District Municipality has to embark on implementing revenue collection strategies to optimize the collection of debt owed by consumers.

The municipality is also embarking on assuring that all grants are spent during the 2024/25 financial year.

**Table C4 - Budgeted Statement - Financial Performance (revenue and expenditure)**

DC23 Uthukela - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 - July										
Description	Ref	2023/24	Budget Year 2024/25							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity		-	-	-	-	-	-	-	-	-
Service charges - Water		267,541	316,389	-	13,461	13,461	26,386	(12,905)	-49%	316,389
Service charges - Waste Water Management		17,928	18,188	-	1,635	1,635	1,516	119	6%	18,188
Service charges - Waste management		-	-	-	-	-	-	-	-	-
Sale of Goods and Rendering of Services		838	632	-	27	27	53	(26)	-49%	632
Agency services		-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-
Interest earned from Receivables		30,448	84,536	-	5,872	5,872	5,376	495	9%	84,535
Interest from Current and Non Current Assets		8,557	10,482	-	1,151	1,151	873	277	32%	10,482
Dividends		-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		-	-	-	-	-	-	-	-	-
Licence and permits		-	-	-	-	-	-	-	-	-
Operational Revenue		275	203	-	6,973	6,973	17	8,956	41053%	203
<b>Non-Exchange Revenue</b>										
Property rates		-	-	-	-	-	-	-	-	-
Surcharges and Taxes		-	-	-	-	-	-	-	-	-
Fines, penalties and tributs		34,577	60	-	-	-	5	(5)	-100%	60
Licence and permits		-	-	-	-	-	-	-	-	-
Transfers and subsidies - Operational		586,406	620,501	-	255,843	255,843	51,708	204,136	365%	620,501
Interest		-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		5,832	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-
Discontinued Operations		8,000	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and</b>		<b>960,403</b>	<b>1,030,991</b>	<b>-</b>	<b>284,962</b>	<b>284,962</b>	<b>85,916</b>	<b>199,046</b>	<b>232%</b>	<b>1,030,991</b>
<b>Expenditure By Type</b>										
Employee related costs		361,224	363,137	-	29,701	29,701	30,261	(561)	-2%	363,137
Remuneration of councillors		6,154	6,155	-	517	517	513	4	1%	6,155
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-
Inventory consumed		95,655	51,060	-	-	-	-	-	-	-
Debt impairment		250,516	184,656	-	-	-	4,255	(4,255)	-100%	51,060
Depreciation and amortisation		86,484	73,910	-	-	-	13,721	(13,721)	-100%	164,656
Interest		16,352	-	-	-	-	6,169	(6,169)	-100%	73,910
Contracted services		175,330	171,931	-	116	116	14,328	(14,212)	-99%	171,931
Transfers and subsidies		3,285	5,830	-	-	-	488	(485)	-100%	5,830
Irrecoverable debts written off		3,124	-	-	-	-	-	-	-	-
Operational costs		198,520	130,551	-	1,236	1,236	10,879	(9,643)	-89%	130,551
Losses on Disposal of Assets		-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>1,197,043</b>	<b>967,232</b>	<b>-</b>	<b>31,570</b>	<b>31,570</b>	<b>80,603</b>	<b>(49,033)</b>	<b>-61%</b>	<b>967,232</b>
<b>Surplus/(Deficit)</b>		<b>(236,639)</b>	<b>63,759</b>	<b>-</b>	<b>253,393</b>	<b>253,393</b>	<b>5,313</b>	<b>248,079</b>	<b>4669%</b>	<b>63,759</b>
Transfers and subsidies - capital (monetary allocations)		291,328	291,529	-	-	-	24,294	(24,294)	-100%	291,529
Transfers and subsidies - capital (in-kind)		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>54,689</b>	<b>355,288</b>	<b>-</b>	<b>253,393</b>	<b>253,393</b>	<b>29,607</b>	<b>-</b>	<b>-</b>	<b>355,288</b>
Income Tax		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>54,689</b>	<b>355,288</b>	<b>-</b>	<b>253,393</b>	<b>253,393</b>	<b>29,607</b>	<b>-</b>	<b>-</b>	<b>355,288</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>54,689</b>	<b>355,288</b>	<b>-</b>	<b>253,393</b>	<b>253,393</b>	<b>29,607</b>	<b>-</b>	<b>-</b>	<b>355,288</b>
Share of Surplus/Deficit attributable to Associate		-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		<b>54,689</b>	<b>355,288</b>	<b>-</b>	<b>253,393</b>	<b>253,393</b>	<b>29,607</b>	<b>-</b>	<b>-</b>	<b>355,288</b>
<i>References</i>										
1. Material variances to be explained on Table SC1										
Total Revenue (excluding capital transfers and contributions) including capi										
		1,251,732	1,322,529		284,962	284,962	116,210			1,322,520

## **Operating Revenue:**

Operating revenue recognised for the period July 2024 amounts to R 284 million. For the one-month period the municipality had estimated R85 million for the first month. The actual revenue derived amounts to R284 million. The receipt of the equitable share has contributed to the positive variance.

### WATER& SANITATION SALES:

The combined Water and Sanitation Sales income recognised is 41% below what is originally anticipated. The revenue billed for the month of July 2024 is a combined amount of R14million.

### INTEREST EARNED FROM RECEIVABLES:

The interest on consumer accounts has yielded 9% positive variance, this is an indication of an improvement in the revenue collected. The amount billed for July 2024 is R5 million.

### INTEREST FROM CURRENT AND NON-CURRENT ASSETS:

Interest earned on investments amounted to R1 million, this line item has a positive variance of 32%. From the R800 thousand which was estimated for the first month earned in July 2024.

### TRANSFERES AND SUBSIDIES

The municipality received operating grants amounting to R255 million in July 2024. This is due to a receipt of Equitable share.

## **Operating Expenditure:**

The total operating expenditure recognised for the period July 2024 amounts to R32 million, a negative -61% variance.

### EMPLOYEE RELATED COSTS AND REMUNERATION OF COUNCILLORS:

Employee related cost incurred for July 2024 is R29 million which results to 2% below what was anticipated. The amount incurred for the remuneration of councillors is R517 thousand.

CONTRACTED SERVICES:

The bulk of contracted services comprise of vehicle repairs, hire of plant, repairs to pumps and pipelines. The total contracted services incurred for the month of July 2024 is R116 million.

OPERATIONAL COSTS:

The implementation of the budget funding plan seeks to cut avoidable expenditure which does not relate to service delivery the municipality has managed to eliminate nice to haves, and soft projects in order to reduce expenditure related to this line item. The total operation costs incurred in July 2024 amounts to R1.2 million.

**Table C5 – Monthly Budget Statements – Capital Expenditure**

<i>Capital Expenditure - Functional Classification</i>										
<i>Governance and administration</i>										
Executive and council	-	2,000	-	-	-	167	(167)	-100%	2,000	
Finance and administration	-	-	-	-	-	-	-	-	-	
Internal audit	-	2,000	-	-	-	167	(167)	-100%	2,000	
<i>Community and public safety</i>										
Community and social services	-	-	-	-	-	-	-	-	-	
Sport and recreation	-	-	-	-	-	-	-	-	-	
Public safety	-	-	-	-	-	-	-	-	-	
Housing	-	-	-	-	-	-	-	-	-	
Health	-	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>										
Planning and development	-	-	-	-	-	-	-	-	-	
Road transport	-	-	-	-	-	-	-	-	-	
Environmental protection	-	-	-	-	-	-	-	-	-	
<i>Trading services</i>										
Energy sources	0	306,529	-	1,974	1,974	25,544	(23,570)	-92%	306,529	
Water management	0	306,529	-	1,974	1,974	25,544	(23,570)	-92%	306,529	
Waste water management	0	-	-	-	-	-	-	-	-	
Waste management	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
<b>Total Capital Expenditure - Functional Classification</b>	<b>3</b>	<b>0</b>	<b>308,529</b>	<b>-</b>	<b>1,974</b>	<b>1,974</b>	<b>25,711</b>	<b>(23,736)</b>	<b>-92%</b>	<b>308,529</b>

- As depicted above capital expenditure amounting to R1,9 million recorded at the month of July 2024.

**Table C2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

DC23 Uthukela - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M01 - July										
Description	Ref	2023/24			Budget Year 2024/25					
		Audited	Original	Adjusted	Monthly	YearTD actual	YearTD	YTD	YTD %	Full Year
R thousands	1									
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		798,363	691,476	-	263,968	263,968	57,823	206,345	358%	691,476
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		798,363	691,476	-	263,968	263,968	57,823	206,345	358%	691,476
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		42	60	-	-	-	5	(5)	-100%	60
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		42	60	-	-	-	5	(5)	-100%	60
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		453,327	630,984	-	20,994	20,994	52,582	(31,588)	-80%	630,984
Energy sources		-	-	-	-	-	-	-	-	-
Water management		453,327	630,984	-	20,994	20,994	52,582	(31,588)	-80%	630,984
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	1,251,732	1,322,520	-	284,962	284,962	110,210	174,752	159%	1,322,520
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		550,176	430,019	-	10,941	10,941	35,835	(24,894)	-69%	430,019
Executive and council		50,748	51,120	-	3,072	3,072	4,260	(1,188)	-28%	51,120
Finance and administration		499,428	378,898	-	7,869	7,869	31,575	(23,706)	-75%	378,898
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		52,838	58,078	-	3,792	3,792	4,840	(1,048)	-22%	58,078
Community and social services		13,103	7,773	-	1,048	1,048	648	400	62%	7,773
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		39,535	50,305	-	2,744	2,744	4,192	(1,448)	-35%	50,305
<b>Economic and environmental services</b>		17,091	26,084	-	1,142	1,142	2,174	(1,032)	-47%	26,084
Planning and development		17,091	26,084	-	1,142	1,142	2,174	(1,032)	-47%	26,084
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		577,137	453,052	-	15,685	15,685	37,754	(22,059)	-58%	453,052
Energy sources		-	-	-	-	-	-	-	-	-
Water management		577,137	453,052	-	15,685	15,685	37,754	(22,059)	-58%	453,052
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	1,197,943	967,232	-	31,570	31,570	80,603	(49,033)	-61%	967,232
<b>Surplus/ (Deficit) for the year</b>		54,689	355,288	-	253,393	253,393	29,607	223,785	758%	355,288



**Table C3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

DC23 Uthukela - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M01 - July										
Vote Description	Ref	2023/24			Budget Year 2024/25					
		Audited	Original	Adjusted	Monthly	YearTD actual	YearTD	YTD	YTD %	Full Year
<b>R thousands</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - MAYOR AND MM		-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		98	-	-	78	78	-	78	#DIV/0!	-
Vote 3 - BUDGET AND TREASURY		798,264	691,476	-	263,890	263,890	57,523	206,267	358.0%	691,476
Vote 4 - SOCIAL SERVICES(PLANNING&ECONOMIC DEV)		-	-	-	-	-	-	-	-	-
Vote 5 - WSA& HEALTH SERVICES		42	60	-	-	-	5	(5)	-100.0%	60
Vote 6 - 500 - WATER, SANITATION AND TECHNICAL SERVICES		453,327	630,984	-	20,994	20,994	52,982	(31,988)	-60.1%	630,984
Vote 7 -		-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>1,251,732</b>	<b>1,322,520</b>	<b>-</b>	<b>284,962</b>	<b>284,962</b>	<b>110,210</b>	<b>174,752</b>	<b>158.6%</b>	<b>1,322,520</b>
<b>Expenditure by Vote</b>	1									
Vote 1 - MAYOR AND MM		50,748	51,120	-	3,072	3,072	4,260	(1,188)	-27.9%	51,120
Vote 2 - CORPORATE SERVICES		127,431	135,003	-	2,891	2,891	11,250	(8,359)	-74.3%	135,003
Vote 3 - BUDGET AND TREASURY		371,897	242,304	-	4,978	4,978	20,192	(15,214)	-75.3%	242,304
Vote 4 - SOCIAL SERVICES(PLANNING&ECONOMIC DEV)		30,194	33,857	-	2,190	2,190	2,821	(632)	-22.4%	33,857
Vote 5 - WSA& HEALTH SERVICES		39,535	51,896	-	2,744	2,744	4,325	(1,581)	-36.6%	51,896
Vote 6 - 500 - WATER, SANITATION AND TECHNICAL SERVICES		577,137	453,052	-	15,895	15,895	37,754	(22,059)	-68.4%	453,052
Vote 7 -		-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>1,197,043</b>	<b>967,232</b>	<b>-</b>	<b>31,570</b>	<b>31,570</b>	<b>80,603</b>	<b>(49,033)</b>	<b>-60.8%</b>	<b>967,232</b>
<b>Surplus/ (Deficit) for the year</b>	2	<b>54,689</b>	<b>355,288</b>	<b>-</b>	<b>253,393</b>	<b>253,393</b>	<b>29,607</b>	<b>223,785</b>	<b>755.8%</b>	<b>355,288</b>
<i>References</i>										

## Part 2 – Supporting Documentation

### Table SC3 Debtors age analysis

DC23 Uthukela - Supporting Table SC3 Monthly Budget Statement - aged debtors - M01 - July

Description	NF Code	Budget Year 2024/25								Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Requirement - Bad Debts 1.1.a Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr				
<b>Debtors Age Analysis By Income Source</b>													
Trade and Other Receivables from Exchange Transactions - Water	1200	22,896	25,231	20,354	19,240	18,495	18,202	17,489	736,965	598,722	820,261		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-		
Receivables from Non-exchange Transactions - Property Rates	1400	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Waste Water Management	1500	2,580	1,867	914	943	808	839	926	44,997	53,720	48,409		
Receivables from Exchange Transactions - Waste Management	1600	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-		
Interest on Amort Debtors Accounts	1810	6,068	8,872	6,752	6,701	5,452	5,440	5,008	238,361	278,096	250,211		
Receivables unauthorised, irregular, hushes and wasteful expenditure	1920	-	-	-	-	-	-	-	-	-	-		
Other	1920	130	126	100	145	145	138	156	14,775	16,707	16,372		
<b>Total By Income Source</b>	<b>2999</b>	<b>31,628</b>	<b>33,276</b>	<b>27,126</b>	<b>25,939</b>	<b>24,938</b>	<b>24,787</b>	<b>23,792</b>	<b>1,054,798</b>	<b>1,246,248</b>	<b>1,154,232</b>		
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	2,963	4,884	4,795	4,272	4,317	3,163	3,216	50,914	75,824	69,582		
Commercial	2300	5,075	6,473	3,044	1,084	1,317	1,379	1,320	59,009	78,776	55,134		
Households	2400	23,562	21,819	20,281	20,156	19,301	20,226	15,257	941,579	1,089,148	1,029,515		
Other	2500	-	-	-	-	-	-	-	-	-	-		
<b>Total By Customer Group</b>	<b>2608</b>	<b>31,628</b>	<b>33,276</b>	<b>27,126</b>	<b>25,939</b>	<b>24,938</b>	<b>24,787</b>	<b>23,792</b>	<b>1,054,798</b>	<b>1,246,248</b>	<b>1,154,232</b>		

- The Municipality has a total amount of R 1 billion of outstanding debt.

### Top 10 Debtors

TOP 10 DEBTORS JULY 2024		
ACCOUNT	ACCOUNT NAME	AMOUNT
1061933	ESTCOURT HIGH SCHOOL	16,149,740.53
1014795	ALFRED DUMA LOCAL MUNICIPALITY STEADVILLE HOST	10,714,424.92
1024232	YENDE E N	7,776,151.95
1057544	LIEBENBERG LC	5,283,491.90
1024894	ZANELISENI GARDEN	3,466,489.42
1057627	ITHALA DEV FINANCE CORP.	2,964,014.57
1037484	ALFRED DUMA LOCAL MUNICIPALITY NURSERY	2,837,713.95
1007393	ALFRED DUMA LOCAL MUNICIPALITY SWIMMING POOL	2,479,700.50
1051823	UTHUKELA DISTRICT MUNICIPALITY	2,385,285.21
1004617	MADUNA D/P 781 GZ	2,193,115.88
<b>TOTAL</b>		<b>56,250,128.83</b>

**Bank Balance**

Bank Balances				
The following reflects bank balances at 30 June 2024				
DESCRIPTION	JULY 2024	AUGUST 2024	SEPT 2024	OCT 2024
FNB MAIN ACCOUNT 62252306280	58,010,023.35	-	-	-
FNB WATER ACCOUNT 62253072385	0	0	0	0
	<b>58,010,023.35</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total cash held</b>	<b>58,010,023.35</b>			

**Collection rate**

CONSUMER DEBTORS - PAYMENTS VS BILLING AS AT 30 June 2024				
MONTH	BILLING	MONTHS	RECIEPTS	RECOVERY RATE %
June 2024	35,297,566.92	July 2024	9,454,483.35	26.79%
<b>TOTAL</b>	<b>35,297,566.92</b>		<b>9,454,483.35</b>	<b>27%</b>
<b>TOTALS</b>				
BILLING - JUNE 2024		35,297,566.92		
RECIEPTS - JULY 2024		9,454,483.35		
DIFFERENCE		<b>25,843,083.57</b>	27%	

**Table SC5 Investment portfolio**

DC 23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M01 July					
Investments by maturity Name of institution & investment ID	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands					
<b>Municipality</b>					
FNB	418	73		32 690	33 181
NEDBANK	8	0			8
INVESTEC	399	3			402
ABSA	220	1 074	(31 305)	165 000	134 990
					-
					-
					-
<b>TOTAL INVESTMENTS AND INTEREST</b>	<b>1 045</b>	<b>-</b>	<b>(31 305)</b>	<b>197 690</b>	<b>168 581</b>

The Municipality held investments of R168 million at the end of July 2024.

### Table SC4 Creditors age analysis

DC23 Uthukela - Supporting Table SC4 Monthly Budget Statement - aged creditors - M01 July

Description	NT Code	Budget Year 2024/25								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100									-
Bulk Water	0200									-
PAYE deductions	0300									-
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500									-
Loan repayments	0600									-
Trade Creditors	0700	1 528	2 799	1 831	2 681	381 103				389 943
Auditor General	0800									-
Other	0900									-
<b>Total By Customer Type</b>	<b>1000</b>	<b>1 528</b>	<b>2 799</b>	<b>1 831</b>	<b>2 681</b>	<b>381 103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>389 943</b>

### Top 10 Creditors

#### TOP TEN CREDITORS ANALYSIS AS AT 30 JULY 2024

SUPPLIER	AMOUNT
UMNGENI WATER	164,500,860.50
DWS	188,317,129.15
INKOSI ILANGALIBALELE	53,817,281.50
ALFRED DUMA	32,068,871.61
SALGA	6,036,241.35
MGAZI ENGINEERING	1,087,164.00
BONAKUDE CONSULTING	875,246.68
UPHAPHELWEGWALAGWALA	732,262.50
RASP CONSULTING	611,069.38
MJ CONSTRUCTION	566,850.00

**Grant Performance:**

UTHUKELA DISTRICT MUNICIPALITY							
GRANT REGISTER - 2024/25							
Summary of Grants received, expenditure & Funds available as at 31 JULY 2024							
			Audited Balance as at	Budget Amount 2024/25	Received	Spent & transferred to income	Closing Balance/ Unspent
	Name of Grant owner	Grant Type	01/07/2024		2024/25	2024/25	% Spent on received amount 2024/25
G3.101	EX Mthembu	MUNICIPAL INFRASTRUCTURE GRANT	0.00	191,529,000.00	64,214,000.00	11,395,892.65	18% 52,818,107.35
G3.102	EX Mthembu	WATER & SANITATION INFRASTRUCTURE GRANT	0.00	100,000,000.00	30,000,000.00	0.00	0% 30,000,000.00
G3.105	EX Mthembu	RURAL ROAD ASSET MANAGEMENT SYSTEM	0.00	2,792,000.00	0.00	0.00	0% 0.00
G3.106	EX Mthembu	EPWP INTERGRATED GRANT	0.00	1,685,000.00	0.00	0.00	0% 0.00
G3.107	BB Sithole	FINANCE MANAGEMENT GRANT	0.00	2,000,000.00	0.00	0.00	0% 0.00
G3.108	O Mnguni	LG SETA	0.00	0.00	147,599.02	0.00	0% 147,599.02
			0.00	298,006,000.00	94,361,599.02	11,395,892.65	12% 82,965,706.37

## **FINANCIAL RATIOS**

Financial Ratio	July 2024	MFIP COMMENTS ON RATIOS
<p>Capital Expenditure to Total Expenditure (10%-20%)</p>	<p>6%</p> <p>Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100</p> <p><math>(1974 / (1974 + 31570)) = 5.5\%</math></p>	<p><b>Assets Management Ratios</b></p> <p>This ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritization of expenditure towards current operations versus future capacity in terms of municipal services</p> <p>Calculation on the capital expenditure must be revisited.</p> <p>Table C 5 is not pulling figures and how did you get this R 1974</p> <p>Total Operating Expenditure R 967 232</p> <p><b>The municipality's ratio is 6% as at the 31 July 2024</b></p> <p>The norm range is between 10% and 20%</p>
<p>Cash Coverage Ratio</p>	<p>5 Months</p> <p>((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)</p>	<p><b>CASH/COST COVERAGE RATIO</b> (Excluding Unspent Conditional Grants)</p> <p>The Formula is correct</p> <p>The Norm Range is between 1 Month to 3 Months</p> <p><b>The municipality's ratio is 5 Months;</b> however, the norm range is</p>

	$\frac{((58\,010\,023.35 - 82\,965\,706.37 - 0) + 168\,580\,539.62 / (31\,570\,000))}{1} = 4.5 \text{ Months}$	<p>weighed above as results of 1 month to 3 months.</p>
<p>Debtors Collection Rate</p>	<p>59%</p> <p>Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100</p> <p>1 231 625 000 closing balance of June debtors age analysis + 35 297 566.92 – 1 246 248 000) / 35 297 566.92 = <b>58.57%</b></p>	<p><b>COLLECTION RATE-</b> Ratio indicates the level of payment. It measures increase or decrease in the debtors relative to annual billed revenue.in addition, to determine the real collection rate bad debts written -off is taken into consideration.</p> <p>The formular is correct and however the calculation should be revisited due to the fact that the municipality has not collected <b>58.5%</b>,However it might considered as municipal target of 45% above</p> <p>Budget provision for Bad debts for the municipality must be taken into account when calculation of collection Rate has done</p> <p>The debtors payment period reflect that it takes more than three months (90 days) for the municipality to collect debt owed. This further put strain on the liquidity position of the municipality. The municipality needs to urgently focus more on strategies to</p>



		reduce escalating debt book than on writing off debt.
Net Debtors > 90 days (= 0)	<p>12 887 Days          ((Gross Debtors - Bad Debt Provision) / Billed Revenue)          × 365          (1 246 248 000- 0 /          35 297 566.92)          = <b>12887 days</b></p>	<p>Net Debtor Days refers to the average numbers of days required for a municipality to receive payments from its consumers for bills/Invoices issued to them for services</p> <p>Municipality does not have bad debts provision</p> <p><b>Formula</b></p> <p>[Gross Debtors -Bad Debts Provision/Actual Billed Revenue)]x 365</p> <p><b>Basically, The calculations on Net Debtors Days are found to be correct</b></p>
Net Operating Surplus Margin	<p>89%          (Total Operating Revenue – Total Operating Expenditure)/ Total Operating Revenue x 100%</p> <p>(284 962 000 – 31 570 000)/ 284 962 000          = <b>88.9%</b></p>	<p><b>Net Operating Surplus Margin</b></p> <p>Ratio assesses the extent to which the Municipality generates Operating Surpluses</p> <p>Formula:          (Total Operating Revenue – Total Operating Expenditure)/ Total Operating Revenue x 100</p> <p>=89%</p> <p><b>Norm</b></p>

		<p>The norm is equal to or greater than 0%</p> <p>Municipalities should at least recover operational costs for the services being delivered. In addition, a ratio which is greater than 0% will enable the municipality to generate a surplus which will assist to contribute towards its capital funding requirements.</p>
<p>Creditors Payment Period &gt; 30 days (= 0)</p>	<p>160 Days</p> <p>Trade Creditors Outstanding / Credit Purchases (Operating and Capital) × 365</p> <p>Since the creditors age analysis have nothing I took the closing balance on the creditors age analysis for june 2024</p> <p>16 174 617.45/ 36 738 008.9 × 365</p> <p>= 160 days</p>	<p><b>Trade Creditors</b></p> <p>This ratio indicates the average numbers of days taken for Trade Creditors to be paid</p> <p>Creditors' age analysis must be extracted from the financial system and I'm unable to determine current creditors' balances against the creditors' purchases</p> <p>Creditors payment period I'm unable to determine it due to aging report is blank from the system</p> <p><b>Formula is correct</b></p>

<p>Remuneration (Employee Related Costs and Councillors Remuneration) as % of Total Operating Expenditure)</p>	<p>96%</p> <p>Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x 100</p> <p><math>(2970 + 517) / 31\,570 \times 100</math></p> <p>= 95.7%</p>	<p>The ratio measures the extent of Remuneration to Total Operating Expenditure</p> <p>Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x 100</p> <p><math>(363\,137 + 6155) / 967\,232 \times 100</math></p> <p>=38%</p> <p>Municipality calculations are not correct and 96 is incorrect</p> <p>The norm range between 25% and 40%</p>
<p>Contracted Services % of Total Operating Expenditure</p>	<p>0.4%</p> <p>Contracted Services / Total Operating Expenditure x 100</p> <p><math>116 / 31\,570</math></p> <p>= 0.4%</p>	<p><b>Contracted Services</b></p> <p>This ratio measures the extent to which the municipalities resources are committed towards contracted services to perform Municipal related functions.</p> <p>Contracted Services / Total Operating Expenditure x 100</p> <p><math>116\,000 / 967\,232</math></p> <p>=12%</p> <p>The norm range between 2% and 5%</p> <p><b>Municipality must relook the figures on the C4 Statement - Financial Performance (Revenue &amp; Expenditures)</b></p>
<p>% Actual CAPEX to budget (<math>\geq</math> 95%)</p>	<p>8%</p>	<p><b>Formula</b></p> <p>Actual Capital Expenditure / Budget Capital Expenditure x 100</p>

	<p>Actual Capital Expenditure / Budget Capital Expenditure x 100</p> <p><math>1\ 974 / 25\ 711 = 7.6\%</math></p> <p><math>1\ 974 / 308\ 529 = 0.64\%</math></p>	Table C 5 is incomplete and I'm unable to get information
% Actual OPEX to budget ( $\geq$ 95%)	<p>39%</p> <p>Actual Operating Expenditure / Budgeted Operating Expenditure x 100</p> <p><math>31\ 570 / 80\ 603 = 39.2\%</math></p> <p><math>31\ 570 / 1\ 197\ 043 = 2.64\%</math></p>	<p>Table C 5 is incomplete and I'm unable to get information</p> <p>Actual operating should be R 967 232</p>
Operating Revenue Budget Implementation Indicator	<p>28%</p> <p>Actual Operating Revenue / Budgeted Operating Revenue x 100</p> <p>Actual Operating Revenue / Budgeted Operating Revenue x 100</p> <p><math>284\ 962 / 1\ 030\ 991 = 27.6\%</math></p>	Operating Revenue Budget Implementation Indicator lets remove it because I don't see any importance of this ratios.

## CASH FLOW:

**Capital expenditure to total expenditure:** This Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations *versus* future capacity in terms of Municipal Services. Currently the ratio is 6% below the acceptable norm of (10% - 20%)

**Cash Coverage:** The ratio indicates the municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without any additional revenue. The ratio shows 5 months which is way above the acceptable norm of (1 month to 3 months)

**Debtors Collection Rate:** A rate of 59% is below the acceptable norm of 100% collection indication that revenue collection of the municipality requires urgent attention

and corrective measures should be implemented. A municipality with outstanding debtors should aim at achieving a collection rate of more than 100%.

**Net Debtors Days:** the ratio of 12 887 Days which way above the acceptable norm of 30 days, this indicates that the Municipality is exposed to significant Cash Flow risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it.

**Net Operating Surplus Margin:** a ratio of 89% is calculated which is greater than 0% this will enable the municipality to generate a surplus which will assist to contribute towards its capital funding requirements

**Creditors Payment Period:** the ratio indicate that it takes 160 days for the municipality to pay it creditors which is above the acceptable norm of 30 days. A period longer than 30 days to settle creditors is normally an indication that the Municipality may be experiencing cash flow problems, however in certain instances this may be as a result of disputes, processing of payments, etc. In addition, a ratio that exceeds the norm indicates that the Municipality may not be adequately managing its Working Capital or that effective controls are not in place to ensure prompt payments. The municipality will be required to provide further explanations in this regard.

**Remuneration (Employee Related Costs and Councillors Remuneration) as % of Total Operating Expenditure):** A rate of 96% which is greater than the 20% and 40% norm, if the ratio exceeds the norm it could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. Various factors need to be considered when commenting on this ratio, such as the powers and functions performed by the municipality or entity, as this can create distortions in the outcomes, if the analysis ignores such factors.

**Contracted Services % of Total Operating Expenditure:** A ratio of 0.4% is less than the acceptable norm of 2% and 5%. Meaning lesser functions are being outsourced to consultants, or that Contracted Services are not effectively utilised.

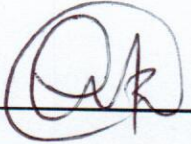
**Capital Expenditure Budget Implementation Indicator:** The ratio shows 8% which is below 95% and 100% therefore Any variance below 95% indicates discrepancies in planning and budgeting, capacity challenges to implement projects and/or Supply Chain Management process failures, which should be investigated and corrective measures implemented.

Under-spending is also an indicator that the Municipality might be experiencing possible cash flow difficulties to implement projects. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programmes and/or projects.

**Operating Expenditure Budget Implementation Indicator:** the ratio shows a variance of 39% Under-spending normally is an indicator that the Municipality experiences possible Cash Flow difficulties or capacity challenges to undertake Budgeted/ planned service delivery, and/ or does not prepare accurate and credible Budgets. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programmes and/or projects.

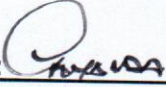
**Operating Revenue Budget Implementation Indicator:** a variance of 28% is shown which is below the acceptable norm of 95% and 100%. This ratio measures the extent of Actual Operating Revenue (Excl. Capital Grant Revenue) received in relation to Budgeted Operating Revenue during the financial year, under review.

Prepared by:



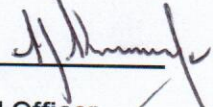
Budget Officer

Reviewed by:

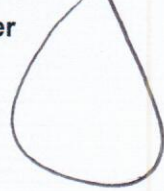


Accountant Budget

Approved by:



Chief Financial Officer



**2.7. Municipal Manager's quality certificate**

I **Langelihle Jili** , Municipal Manager of UThukela District Municipality, hereby certify that the Section 71 and supporting documentation for July 2024 have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name : L Jili

Signature

A handwritten signature in black ink, appearing to be 'L Jili', written over a horizontal line. The signature is enclosed within a large, hand-drawn oval.

Date : 21 August 2024