

MID YEAR REVIEW REPORT – SECTION 72

Compiled by : CHIEF FINANCIAL OFFICER

Reference No. :

Routing :
MANCO :
PORTFOLIO :
FINANCE / EXCO : 21/01/2022
COUNCIL : 25/01/2022

1. PURPOSE

For Council to consider the expenditure levels on overall annual budget 2021/22 for the mid-year ended 31 December 2021.

2. BACKGROUND / DISCUSSION

In terms of Section 72(1) of the Local Government: Municipal Finance Management Act, 2003(Act 56 of 2003) (hereinafter referred to as the MFMA), the accounting officer of a municipality must by 25 January of each year-

- a) Assess the performance of the municipality during the first half of the financial year, taking into account –
 - i. the monthly statements referred to in Section 71 for the first half of the financial year;
 - ii. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - iii. the past year's annual report and progress on resolving problems identified in the annual report;

3. REPORT

The report is attached

4. FINANCIAL IMPLICATIONS

N/A

5. LEGAL/LEGISLATIVE COMPLIANCE

MFMA no. 56 of 2003 Section 72

6. ATTACHMENTS

Mid-year review report for the mid-year ended 31 December 2021.
2021/2022 Mid-Year Performance Assessment Report
2021/2022 Mid-Year Performance Assessment Report UThukela Economic
Development Agency

LEGEND

- A. Items: Items considered by Exco and referred to Council for resolution / final decision making.
- B. Items: Items to be resolved (finalised) by Exco under delegated powers.
- C. Items: Confidential matter considered by Exco and referred to Council for resolution.
- D. Items: Confidential matters considered and resolved by Exco under delegated powers.

7. RECOMMENDATION

1. That Section 72 together with UThukela District 2021/2022 Mid-Year Performance Assessment and UThukela District Economic Development Agency 2021/2022 Mid-Year Performance Assessment reports be considered;
2. That the UThukela District 2021/2022 Mid-Year Performance Assessment report and 2021/2022 Mid-Year Performance Assessment report for UThukela Economic Development Agency documents be made Public;
3. That the 2021/2022 Mid-Year Performance Assessment report and 2021/2022 Mid-Year Performance Assessment report for UThukela Economic Development Agency documents be submitted to the Mayor, National and Provincial Treasury;
4. That the joint Finance Portfolio and EXCO consider the approval of Section 72 adjustment budget;
5. That the report be submitted to Council for approval.



BB SITHOLE
CHIEF FINANCIAL OFFICER

LEGEND

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UTHUKELA

UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

2021/22

MID YEAR REVIEW (S72)

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PURPOSE

To report to Council on the mid-year review of the financial and performance results for the first half of the 2021/22 financial year as required by section 72 of the Municipal Finance Management Act.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Financial Reporting

MAYOR'S REPORT

In terms of Section 72 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (hereinafter referred to as the MFMA), the accounting officer of a municipality must by 25 January of each year-

- a) Assesses the performance of the municipality during the first half of the financial year, taking into account-
 - i. the monthly statements referred to in section 71 for the first half of the financial year;
 - ii. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - iii. the past year's annual report and progress on resolving problems identified in the annual report;

Comments from the Honourable Mayor

UThukela District Municipality has seen great challenges in the 2021/22 financial year and remains under administration in terms of S139 of the MFMA. The national pandemic has further negatively impacted negatively on the financial and social well-being of the district as a whole. Consequentially service delivery has thus been affected. Political leadership changed during the month of November 2021, the new elected council will respond positively to the said challenges and will continue to support government interventions.

An adjustments budget is due to be tabled in the month of February 2022. The budget remains unfunded and would be supported by means of a budget funding plan. Senior management has been advised to contribute to the funding plan.

The various capital projects budgeted for this financial year have commenced, going forward these projects will be under the strict monitoring and supervision of the new council.

All issues identified and highlighted in this report will essentially call the for the review of the approved budget. This review will be aimed at improving our cash position and facilitate the improvement in cash flow constraints.

It must be noted that an amount of R 364 million has been received from the budgeted total of R485 million of the equitable share and an amount of R104 million has been received in respect of the MIG (municipal infrastructure grant), further to that an amount of R47 million relating to the same grant was received. in respect of MWSIG (municipal water services infrastructure grant) R55 million was received.

EXECUTIVE SUMMARY

In terms of Section 72 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (hereinafter referred to as the MFMA), the accounting officer of a municipality must by 25 January of each year-

- b) Asses the performance of the municipality during the first half of the financial year, taking into account-
 - iv. the monthly statements referred to in section 71 for the first half of the financial year;
 - v. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - vi. the past year's annual report and progress on resolving problems identified in the annual report; and
- c) Submit a report on such assessment to-
 - i. the mayor of the municipality;
 - ii. the National Treasury; and
 - iii. the relevant Provincial Treasury

UTHUKELA DISRTICT MUNICIPALITY | 2022

SUMMARY OF FINANCIAL PERFORMANCE

ANALYSIS OF OPERATING REVENUE (JULY 2021 – DECEMBER 2021) EXCLUDING CAPITAL TRANSFERS:

DC23 Uthukela - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Vote Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		27,485	-	-	-	-	-	-	-	-
Service charges - water revenue		215,985	260,345	260,345	19,714	123,793	130,172	(6,379)	-5%	260,345
Service charges - sanitation revenue		27,585	21,154	21,154	1,752	9,026	10,577	(1,551)	-15%	21,154
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-
Interest earned - external investments		5,357	6,463	6,463	-	2,098	3,232	(1,134)	-35%	6,463
Interest earned - outstanding debtors		68,865	72,794	72,794	3,339	18,691	36,397	(17,706)	-49%	72,794
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		6	10	10	-	-	5	(5)	-100%	10
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		535,441	528,165	528,165	161,464	363,612	264,083	99,529	38%	528,165
Other revenue		7,117	42,780	42,780	46	457	21,390	(20,933)	-98%	42,780
Gains		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		887,840	931,711	931,711	186,314	517,677	465,856	51,822	11%	931,711

Budgeted
R465, 856

Actual Outcomes
R 517, 677

% Variance
11%

Operating revenue recognised for the period July 2021 to December 2021 amounts to R517 million resulting in a 11% positive variance from the R465 million which was anticipated.

The 11 % variance although positive must still be analysed in order to assess its impact on the budgeting process as a whole, as well as future cash flows.

This variance has been attributed to the following:

- i. The 38% positive variance on transfers recognised, which is the direct impact of the 1st and 2nd tranches of the equitable share totalling R364 million. This resulted in a total positive variance of R99 million.

WATER & SANITATION SALES:

Water and sanitation sales income recognised combined is 30% below what was originally anticipated. This is due to the over estimation of water and sanitation sales. It was anticipated that by midyear the prepaid meter system would have already been in place, which would have boosted sales relating to the flat rate areas.

INTEREST FROM OUTSTANDING DEBTORS:

This line item has yielded a negative variance of 49%, it appears we have billed less interest than we had originally anticipated. The variance of 49% is material, and will still be investigated further in order to improve our budgeting processes. It must also be noted that the consumer payment incentives also impact on this line item.

INTEREST FROM INVESTMENTS:

A total of R2 million has been recognised as interest from external investments resulting in a negative variance of 35%.

The municipality has been unable to increase the investment of funds as per the budget funding plan, this is due to the fact that investments have been used in the settling of older debt which still weighs heavily on the municipality.

OTHER REVENUE:

Other revenue has a negative variance of 98%, the recovery amounts billed to uMngeni have not been included in this line item. Due to the fact that the fore mentioned has not recognised the debt, according to recommendations from Treasury the revenue can only be included once the debt owed has been acknowledged.

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ANALYSIS OF OPERATING EXPENDITURE (JULY 2021 - DECEMBER 2021)

Expenditure By Type										
Employee related costs	350,386	369,333	369,333	22,369	174,967	184,667	(9,700)	-5%	369,333	
Remuneration of councillors	6,364	6,372	6,372	-	2,561	3,166	(624)	-20%	6,372	
Debt impairment	359,810	186,252	186,252	-	-	93,126	(93,126)	-100%	186,252	
Depreciation & asset impairment	72,618	67,363	67,363	-	31,218	33,681	(2,464)	-7%	67,363	
Finance charges	2,738	-	-	-	-	-	-	-	-	
Bulk purchases - electricity	129,913	-	-	-	-	-	-	-	-	
Inventory consumed	24,957	62,800	70,200	3,139	33,626	31,400	2,226	7%	62,800	
Contracted services	145,573	119,573	120,057	3,926	59,865	59,786	79	0%	119,573	
Transfers and subsidies	-	-	-	-	-	-	-	-	-	
Other expenditure	141,141	109,865	113,043	6,463	47,994	54,932	(6,938)	-13%	109,865	
Losses	5,240	-	-	-	-	-	-	-	-	
Total Expenditure	1,238,741	921,557	932,619	35,917	350,231	460,778	(110,547)	-24%	921,557	

**Budgeted
R460,778**

**Actual Outcomes
R 350,321**

**% Variance
-24%**

For the purposes of this report and its impact on the upcoming adjustments budget the cost savings of 24% must still be evaluated accordingly.

EMPLOYEE RELATED COST

Due to the inconsistencies in salary costing, a separate report and annexure will be tabled for this line item. (Please refer to full report as per annexure A page:)

INVENTORY CONSUMED:

The bulk of other materials comprises of fuel, oil and chemicals. Inventory consumed have a variance of 7% negative variance from the amount originally budgeted. This is due to the escalating expenditure on the fuel cards. This line item must be reviewed and further investigated in order to make an informed adjustment in the next adjustments budget.

It must be noted that this item was one of our major contributors to the budget funding plan, the escalation in expenditure will thus impact negatively on the budget funding plan.

GENERAL EXPENDITURE:

General expenditure is 13% below what was budgeted. This is due to cost containment measures effected through the special adjustment budget. General expenditure remains highly monitored in light of the adopted budget funding plan.

It must also be noted that bulk water purchases now fall under general expenditure, this item has not been updated due to the non-receipt of invoices timeously from DWA

UTHUKELA DISTRICT MUNICIPALITY 2022

SUMMARY OF CAPITAL PROJECT IMPLEMENTATION

Capital expenditure - Functional Classification									
Governance and administration		275,281	800	800	-	59	400	(341)	-85%
Executive and council		-	-	-	-	-	-	-	
Finance and administration		275,281	800	800	-	59	400	(341)	-85%
Internal audit		-	-	-	-	-	-	-	
Community and public safety		0	-	-	-	-	-	-	
Community and social services		-	-	-	-	-	-	-	
Sport and recreation		-	-	-	-	-	-	-	
Public safety		0	-	-	-	-	-	-	
Housing		-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	
Economic and environmental services		-	-	-	-	-	-	-	
Planning and development		-	-	-	-	-	-	-	
Road transport		-	-	-	-	-	-	-	
Environmental protection		-	-	-	-	-	-	-	
Trading services		0	251,009	257,581	21,322	123,149	125,505	(2,356)	-2%
Energy sources		-	-	-	-	-	-	-	
Water management		0	251,009	257,581	21,322	123,149	125,505	(2,356)	-2%
Waste water management		-	-	-	-	-	-	-	
Waste management		-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	
Total Capital Expenditure - Functional Classification	3	275,281	251,809	258,381	21,322	123,207	125,905	(2,697)	-2%

Budgeted
R 125,905

Actual Outcomes
R 123,207

% Variance
-2

The capital expenditure for the first quarter up to December 2020 is R123 million resulting in a negative variance of 2% from the previously projected R125 million

UTHUKELA DISRTICT MUNICIPALITY | 2022

ANALYSIS OF OUTSTANDING DEBTORS:

Age analysis at December 2021

Reflected above is the age analysis of debtors for the months of July 2021 – December 2021 totalling over R709 million at midyear.

DC23 Uthukela - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	NT Code	Budget Year 2021/22										Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o 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	Total					
R thousands															
Debtors Age Analysis By Income Source															
Trade and Other Receivables from Exchange Transactions - Water	1200	27,828	24,712	23,866	21,125	23,308	17,833	21,134	571,333	731,140	654,733				
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									-	-				
Receivables from Exchange Transactions - Waste Management	1600									-	-				
Receivables from Exchange Transactions - Property Rental Debtors	1700									-	-				
Interest on Arrear Debtor Accounts	1810									-	-				
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-				
Other	1900	(45)	27	19	24	6	12	40,135	14,305	54,483	54,483				
Total By Income Source	2000	27,783	24,739	23,885	21,150	23,314	17,845	61,269	585,637	785,623	709,216	-	-		
2021/22 - totals only	-									1,571,245	-				
Debtors Age Analysis By Customer Group															
Organs of State	2200	3,283	2,975	3,006	1,741	3,990	1,230	1,430	23,337	40,992	31,729				
Commercial	2300	3,084	2,193	2,180	1,486	1,475	364	1,634	41,564	53,980	46,523				
Households	2400	21,461	19,545	18,681	17,899	17,843	16,239	18,070	506,431	636,168	576,482				
Other	2500	(45)	27	19	24	6	12	40,135	14,305	54,483	54,483				
Total By Customer Group	2600	27,783	24,739	23,885	21,150	23,314	17,845	61,269	585,637	785,623	709,216	-	-		

ANALYSIS OF OUTSTANDING CREDITORS:

DC23 Uthukela - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

Description	NT Code	Budget Year 2021/22								
		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	Total
R thousands										
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	6,621	7,070	4,225	1,781	310,514				330,209
Auditor General	0800									-
Other	0900									-
Total By Customer Type	1000	6,621	7,070	4,225	1,781	310,514	-	-	-	330,209

UTHUKELA DISRTICT MUNICIPALITY | 2022

Midyear Collection Rate:

The average collection rate stood at 42% at the end of December 2021

MENTS VS BILLING AS AT 31 DECEMBER 2021				
MONTH	BILLING	MONTHS	RECIEPTS	RECOVERY RATE
June 2021	22,475,153.97	July 2021	9,220,734.33	41.03%
July 2021	33,722,327.60	August 2021	14,764,050.57	43.78%
August 2021	28,596,919.03	September 2021	15,597,523.87	54.54%
September 2021	25,719,760.31	October 2021	10,631,708.35	41.34%
October 2021	29,708,945.81	November 2021	12,164,289.47	40.94%
November 2021	28,008,541.71	December 2021	7,718,813.36	27.56%
	168,231,648.43		70,097,119.95	42%
TOTALS				
BILLING - JUNE 2021 - DEC 2021	168,231,648.43			
RECIEPTS - JUNE 2021- DEC 202	70,097,119.95			
DIFFERENCE	98,134,528.48		42%	

The fluctuation in the collection rate is noted, collection rate was at an average of 42% at midyear.

UTHUKELA DISRTICT MUNICIPALITY | 2022

ANALYSIS OF CASH & INVESTMENTS:

The table above reflects investments as at the end of the second quarter, at the various institutions. The total investments at mid-year totalled R109 million.

DC 23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M04 December

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					
<u>Municipality</u>					
FNB	527	228	(65,000)	170,000	105,755
NEDBANK	564	2			566
INVESTEC	108	0			109
ABSA	2,031	8			2,039
STANDARD BANK	753	2			755
TOTAL INVESTMENTS AND INTEREST	3,984	-	(65,000)	170,000	109,223

At the end of December 2021 cash on hand was R20.7million

Bank Balances

The following reflects bank balances at 31 December 2021

DESCRIPTION	SEPT 2021	OCT 2021	NOV 2021	DEC 2021
FNB MAIN ACCO	21,061,113.05	16,028,788.86	29,675,238.72	20,719,612.73
FNB WATER AC	0	0	0	0
	21,061,113.05	16,028,788.86	29,675,238.72	20,719,612.73
Total cash held	20,719,612.73			

UTHUKELA DISRTICT MUNICIPALITY | 2022

ANALYSIS OF GRANTS RECIEVED:

DC23 Uthukela - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M06 December

Description	Budget Year 2021/22							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
RECEIPTS:								
Operating Transfers and Grants								
National Government:	528,165	–	161,464	369,803	264,083	140,233	53.1%	528,165
Local Government Equitable Share	412,776		161,464	363,612	206,388	157,224	76.2%	412,776
RSC Levy Replacement	72,380				36,190			72,380
Finance Management	1,950			1,950	975			1,950
EPWP Incentive	3,516			2,461	1,758			3,516
LG Seta	–				–			–
Rural Road Asset Management	2,543			1,780	1,272	509	40.0%	2,543
Municipal Systems Improvement	–				–	–		–
Municipal Infrastructure grant	35,000				17,500	(17,500)	-100.0%	35,000
						–		
						–		
Total Operating Transfers and Grants	528,165	–	161,464	369,803	264,083	140,233	53.1%	528,165
Capital Transfers and Grants								
National Government:	246,009	–	47,051	159,902	123,005	(22,109)	-18.0%	246,009
Municipal Infrastructure Grant (MIG)	159,919		47,051	104,902	79,960	(22,109)	-27.6%	159,919
Regional Bulk Infrastructure	6,090				3,045			6,090
Water Services Infrastructure Grant	80,000			55,000	40,000			80,000
Total Capital Transfers and Grants	246,009	–	47,051	159,902	123,005	(22,109)	-18.0%	246,009
TOTAL RECEIPTS OF TRANSFERS & GRANTS	774,174	–	208,515	529,705	387,087	118,124	30.5%	774,174

Conditional Grant allocations received at mid-year were as follows:

- MIG – R104 million, with a further amount of R47 million received in December.
- FMG - R 1.9 million
- EPWP – 2.4 million
- WSIG – R55 million
- RURAL ROADS ASSET MANAGEMENT GRANT – R1.7 million

UTHUKELA DISTRICT MUNICIPALITY | 2022

Prepared by: 
Accountant: Budget

Reviewed by: 
Senior Manager Finance



Approved by: 
Chief Financial Officer

Municipal manager's quality certificate

I **Martin Sithole** municipal manager of UThukela District Municipality, hereby certify that the Section 72 and supporting documentation for December 2021 have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: Martin Sithole

Acting Municipal Manager of UThukela District Municipality (DC23)

Signature:

A handwritten signature in black ink, appearing to read 'Martin Sithole', written over a horizontal line.

Date: 18 January 2022