

UTHUKELA

**UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY**

2021/22 Q2

QUARTERLY REVIEW (S52)

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PURPOSE

To report to Council on the quarterly review of the financial and performance results for the first quarter of the 2021/22 financial year as required by section 52 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 S52 of the MFMA

The mayor of a municipality

(d) must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality;

EXECUTIVE SUMMARY

Section 52 of the Municipal Finance Management Act (MFMA) requires that The mayor of a municipality—

(a) Must provide general political guidance over the fiscal and financial affairs of the municipality;

(b) In providing such general political guidance, may monitor and, to the extent provided in this Act, oversee the exercise of responsibilities assigned in terms of this Act to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;

(c) Must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;

(d) Must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and

(e) Must exercise the other powers and perform the other duties assigned to the mayor in terms of this Act or delegated by the council to the mayor

The following annexure are attached to this item:

Annexure A – S71 for the month ending 31 December 2021

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

Vote Description		Ref	2020/21 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	Budget Year 2021/22				Full Year Forecast
						YearTD actual	YearTD budget	YTD variance	YTD variance %		
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
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	-	2,581	3,186	(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	3,928	59,865	59,786	79	0%	119,573
Transfers and subsidies			-	-	-	-	-	-	-	-	-
Other expenditure			141,141	109,865	113,043	6,483	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
Surplus/(Deficit)			(350,901)	10,154	(908)	150,397	167,446	5,077	162,369	0	10,154
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			293,785	246,009	246,009	-	-	123,005	(123,005)	(0)	246,009
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)			-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions			(57,116)	256,163	245,101	150,397	167,446	128,082			256,163
Taxation			-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation			(57,116)	256,163	245,101	150,397	167,446	128,082			256,163
Attributable to minorities			-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality			(57,116)	256,163	245,101	150,397	167,446	128,082			256,163
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year			(57,116)	256,163	245,101	150,397	167,446	128,082			256,163

References

1. Material variances to be explained on Table SC1

Total Revenue (excluding capital transfers and contributions) including capital	1,181,625	1,177,720	1,177,720	186,314	517,677	588,860				1,177,720
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DC23 Uthukela - Table C3 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - 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 %
R thousands	1								Full Year Forecast
Multi-Year expenditure appropriation	2								
Vote 1 - MAYOR AND MM		-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-
Vote 4 - SOCIAL SERVICES (PLANNING & ECONOMIC DEV)		-	-	-	-	-	-	-	-
Vote 5 - WSA& HEALTH SERVICES		-	-	-	-	-	-	-	-
Vote 6 - 500 - WATER, SANITATION AND TECHNICAL SERVICES		-	-	-	-	-	-	-	-
Vote 7 -		-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	-	-	-	-	-	-	-	-
Single Year expenditure appropriation	2								
Vote 1 - MAYOR AND MM		-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES		(46)	800	800	-	59	400	(341)	-85%
Vote 3 - BUDGET AND TREASURY		275,327	-	-	-	-	-	-	-
Vote 4 - SOCIAL SERVICES (PLANNING & ECONOMIC DEV)		0	-	-	-	-	-	-	-
Vote 5 - WSA& HEALTH SERVICES		-	-	-	-	-	-	-	-
Vote 6 - 500 - WATER, SANITATION AND TECHNICAL SERVICES		0	251,009	257,581	21,322	123,149	125,505	(2,356)	-2%
Vote 7 -		-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	275,281	251,809	258,381	21,322	123,207	125,905	(2,697)	-2%
Total Capital Expenditure		275,281	251,809	258,381	21,322	123,207	125,905	(2,697)	-2%
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%
Funded by:									
National Government		0	246,009	253,331	21,322	121,218	123,005	(1,787)	-1%
Provincial Government		-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations)		-	-	-	-	-	-	-	-
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-
Transfers recognised - capital		0	246,009	253,331	21,322	121,218	123,005	(1,787)	-1%
Borrowing		-	-	-	-	-	-	-	-
Internally generated funds		31	5,800	5,050	-	59	2,900	(2,841)	-98%
Total Capital Funding		31	251,809	258,381	21,322	121,277	125,905	(4,628)	-4%

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment
3. Capital expenditure by functional classification must reconcile to the total of multi-year and single year appropriations
4. Include expenditure on investment property, intangible and biological assets
5. Include finance leases and PPP capital funding component of unitary payment - total borrowing repayments to reconcile to changes in Table SA17

check balance

1,930,551.5

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

Supporting rate 000 monthly budget statement - aged debtors - M06 December														
Description		NT Code	Budget Year 2021/22										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts I.L.o Council Policy
			0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
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 Areas Debtor Accounts	1810												
	Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820												
	Other	1900	(45)	27	19	24	6							
	Total By Income Source	2000	27,783	24,739	23,885	21,150	23,314	17,845	61,269	585,637	785,623	54,483		
2021/22 - totals only														
Debtors Age Analysis By Customer Group														
	Organs of State	2200	3,283	2,975	3,006	1,741	3,980	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			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	54,483		

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

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

2.4.1 Table 10: Investments and Bank Balances

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					
Municipality					
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

Bank Balances

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			

Collection rate

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%	

SUMMARY OF FINANCIAL PERFORMANCE

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

Budgeted	Actual Outcomes	% Variance
R931,711	R 517,677	11

Operating revenue recognised for the period July 2021 to December 2021 amounts to R517 million resulting in a 11% positive variance from the R913 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.

WATER& SANITATION SALES:

Water and sanitation sales income recognised combined is 20% below what was originally anticipated.

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, however this shows an increase in the previously anticipated collection rate.

The municipality has appointed debt collectors, which will improve the collection of outstanding debt. There is also direct liaising with government departments in attempt to recover outstanding debts. The municipality anticipates an improvement in the collection rate by year end due to these efforts.

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 become heavily dependent on investments due to our poor cash condition.

ANALYSIS OF OPERATING EXPENDITURE (JULY2021 – DECEMBER 2021)

Budgeted	Actual Outcomes	% Variance
R921,557	R 350,231	- 24

The total operating expenditure of the municipality for the six-month period is R350 million a 24% negative variance from the R 921 million which was anticipated.

EMPLOYEE RELATED COSTS:

Employee related cost incurred is 5% above what was budgeted for the six-month period. We highlight that overtime remains a critical cost driver, the budget was however increased in the adjustment budget, thus the reduction to 5% of the variance.

INVENTORY CONSUMED:

Inventory comprises of fuel, oil and chemicals. Inventory consumed have a variance of 7% variance from the amount originally budgeted. However council must also note that there are also outstanding payments which upon settlement will reduce the variance.

CONTRACTED SERVICES:

The bulk of contracted services comprise of vehicle repairs, hire of plant, repairs to pumps and pipe lines. A number of payments for such contracted services remain outstanding and once payments have been verified and accounted for the necessary adjustment will decrease the variance.

GENERAL EXPENDITURE:

General expenditure is 13% below what was budgeted. Which is a cause for concern as expenditure remains highly monitored in light of the adopted budget funding plan. The municipality must aim to cap general expenditure at the budgeted amount in order to avoid any unauthorised expenditure.

SUMMARY OF CAPITAL PROJECT IMPLEMENTATION

Budgeted	Actual Outcomes	% Variance
R 251,809	R 125,905	-2

The capital expenditure for the first second quarter up to December 2021 is R125 million resulting in a negative variance of 2% from the previously projected R251 million

ANALYSIS OF OUTSTANDING DEBTORS:

Age analysis at December 2021

Reflected is the age analysis of debtors for the months of July 2021 – December 2021 totalling over R785 million at midyear.

Midyear Collection Rate:

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

The fluctuation in the collection rate is noted, collection rate was at an average of 41% at the end of the second quarter.

The department is also appointed debt collectors to assist in recovering old debt, which will yield an improvement in receipts.

ANALYSIS OF OUTSTANDING CREDITORS:

Reflected is the age analysis of creditors for the months of July 2021 – December 2021 totalling at R330,209 as at December 2021

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.


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

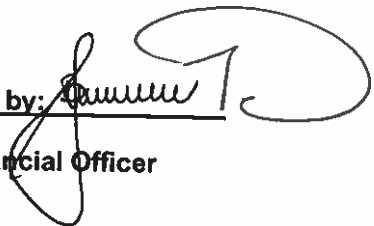
ANALYSIS OF GRANTS RECIEVED:

Conditional Grant allocations received at the end of December 2021 were as follows:

- MIG – R104million
- FMG - R 1.9 million
- EPWP – R2.4 million
- WSIG – R55 million
- RURAL ROADS ASSET MANAGEMENT GRANT – R1.7 million

Prepared by: 
Budget Officer

Reviewed by: 
Accountant Budget

Approved by: 
Chief Financial Officer

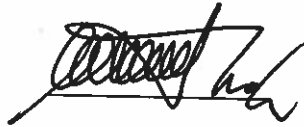
Municipal manager's quality certificate

I **Martin Sithole**, municipal manager of UThukela District Municipality, hereby certify that the Section 52 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: 17 January 2021