

**UTHUKELA**  
UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY

**2022/23**

**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 2022/23 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) Asses 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 2022/23 financial year and remains under administration in terms of S139 of the MFMA. The challenges encounter in the first half of the year includes reviewing of the budget funding plan which led to the compilation of a "working budget". The municipality has also uncounted challenges in terms of grant spending. Amongst other material challenges the municipality has had to deal with staff disputes which emanated from changes in controls such as the approval and monitoring of overtime. The municipality has responded positively to the said challenges and continues 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 contributed strategies to the funding plan.

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

All issues identified and highlighted in this report will essentially call 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.

The municipality has also had significant achievements in the first half of the year, an award was received from COGTA recognising our IDP as one of the best in the province. That has provided even greater motivation to adequately fulfil the capital projects contained in the IDP within the limited resources at our disposal.

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 R66 million has been received in respect of the MIG (municipal infrastructure grant) in respect of MWSIG (municipal water services infrastructure grant) R80 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

**SUMMARY OF FINANCIAL PERFORMANCE**

**ANALYSIS OF OPERATING REVENUE (JULY2022 – DECEMBER 2022) EXCLUDING CAPITAL TRANSFERS:**

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

Vote Description	Ref	2021/22	Budget Year 2022/23							
		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 By Source</b>										
Property rates		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		232 333	262 441	-	19 497	118 748	131 220	(12 472)	-10%	262 441
Service charges - sanitation revenue		18 779	19 135	-	1 323	(6 500)	9 568	(16 068)	-168%	19 135
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-
Interest earned - external investments		3 922	6 463	-	224	3 068	3 232	(164)	-5%	6 463
Interest earned - outstanding debtors		36 488	39 376	-	4 272	23 262	19 688	3 574	18%	39 376
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		12	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		516 839	576 150	-	167 995	378 560	288 075	90 485	31%	576 150
Other revenue		74 269	1 306	-	12	19 187	653	18 534	2837%	1 306
Gains		319	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>882 960</b>	<b>904 871</b>	<b>-</b>	<b>193 323</b>	<b>536 325</b>	<b>452 436</b>	<b>83 889</b>	<b>19%</b>	<b>904 871</b>

**Budgeted  
R452, 436**

**Actual Outcomes  
R 536,325**

**% Variance  
19%**

Operating revenue recognised for the period July 2022 to December 2022 amounts to R536 million resulting in a 19% positive variance from the R465 million which was anticipated.

The 19 % variance although positive must still be analysed to assess its impact on the budgeting process, as well as future cash flows.

This variance has been attributed to the following:

- i. The 31% positive variance on transfers recognised, which is the direct impact of the 1<sup>st</sup> and 2<sup>nd</sup> tranches of the equitable share R210 million and R167 million respectively.

WATER& SANITATION SALES:

Water and sanitation sales income recognised combined is -168% 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 revenue would have already been accounted for, which would have boosted water relating to the prepaid sales.

The estimated water and sanitation sales do not include the customer rebates granted during the first half of the year. These rebates have also negatively impacted the revenue recognised. The rebates will be interrogated and accounted for the next adjustments budget.

The municipality also noted the impact of cuts in water supply on the sales generated, the consistency and improvement in water supply has been prioritised which will positively impact water and sanitation sales.

INTEREST FROM OUTSTANDING DEBTORS:

This line item has yielded a negative variance of -5%, it appears we have billed less interest than we had originally anticipated. The variance of -5% may appear immaterial but will still be investigated further to improve our budgeting processes. It must also be noted that the consumer payment incentives also impact on this line item.

On the contrary a negative variance on this line items will point to an improvement in the collection rate. The municipality has adopted a strong drive to improve the collection rate in the previous quarter. Therefore, a further decline is anticipated going forward on this line item

INTEREST FROM INVESTMENTS:

A total of R3 million has been recognised as interest from external investments resulting in a negative variance of -5%. This however points to an astounding improvement in investments at this time of reporting in the previous financial year the municipality had only generated R2 million worth of investments.

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 positive 283% variance of the calculation of the variance is flawed as it does account for the VAT income generated at midyear in the calculation of the Year-To-Date budget amount. The recomputed variance is a negative variance of -48%, the adopted budget anticipated the other revenue amount to be R37, 135 million. The VAT income amount at midyear was R14 million. The other revenue amount also includes a R1 million refund from Rand Water for boreholes.

**ANALYSIS OF OPERATING EXPENDITURE (JULY 2022 - DECEMBER 2022)**

<b>Expenditure By Type</b>									
Employee related costs	366 528	361 120	-	42 723	192 999	180 560	12 439	7%	361 120
Remuneration of councillors	6 463	6 371	-	543	3 320	3 186	135	4%	6 371
Debt impairment	172 981	100 088	-	-	-	50 044	(50 044)	-100%	100 088
Depreciation & asset impairment	81 732	77 983	-	-	27 135	38 992	(11 857)	-30%	77 983
Finance charges	6 649	1 085	-	-	2	542	(540)	-100%	1 085
Bulk purchases - electricity	-	-	-	-	-	-	-	-	-
Inventory consumed	62 022	130 162	-	2 400	9 992	65 081	(55 088)	-85%	130 162
Contracted services	158 830	147 641	-	20 869	55 245	73 821	(18 576)	-25%	147 641
Transfers and subsidies	-	3 120	-	-	2 000	1 560	440	28%	3 120
Other expenditure	182 506	152 858	-	4 741	52 800	76 429	(23 629)	-31%	152 858
Losses	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>1 037 710</b>	<b>980 427</b>	<b>-</b>	<b>71 276</b>	<b>343 493</b>	<b>490 214</b>	<b>(146 721)</b>	<b>-30%</b>	<b>980 427</b>
<b>Surplus/(Deficit)</b>	<b>(154 750)</b>	<b>(75 556)</b>	<b>-</b>	<b>122 047</b>	<b>192 832</b>	<b>(37 778)</b>	<b>230 610</b>	<b>(0)</b>	<b>(75 556)</b>

**Budgeted  
R499,214**

**Actual Outcomes  
R343,493**

**% Variance  
- 30**

The total operating expenditure of the municipality for the six-month period is R343 million a 30% negative variance from the R 499 million which was anticipated.

**EMPLOYEE RELATED COSTS:**

For the purposes of this report and its impact on the upcoming adjustments budget the over expenditure of 7% must still be evaluated accordingly.

Firstly, it must be noted that the variance calculation depicted above does not consider the 13<sup>th</sup> cheque expenditure incurred in November 2022, this would have contributed to the over expenditure. The municipality has been able to manage over within the available budget which aimed to significantly reduce the overtime bill.

A separate report as annexure will be tabled for this line-item accounting specifically for overtime incurred for the six-month period. (Please refer to full report as per annexure B)

**INVENTORY CONSUMED:**

The bulk of other materials comprises of fuel, oil and chemicals. Inventory consumed has negative variance of - 85% from the amount originally budgeted. This is due to the monitoring of expenditure relating fuel. This line item must be reviewed and further investigated to make an informed adjustment in the next adjustments budget. The decrease in expenditure for chemicals resulting from review of contracts and general improvement in the procurement of chemicals has also improved the cost savings on this line item

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



**GENERAL EXPENDITURE:**

General expenditure is -31% below what was budgeted. This is due to cost containment measures effected through the IFC and budget funding plan. General expenditure remains highly monitored considering the adopted budget funding plan. The municipality anticipates realising further cost savings on this line item going forward.

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.

**SUMMARY OF CAPITAL PROJECT IMPLEMENTATION**

<i>Governance and administration</i>		-	1 150	-	-	2	575	(573)	-100%	1 150
Executive and council		-	-	-	-	-	-	-		-
Finance and administration		-	1 150	-	-	2	575	(573)	-100%	1 150
Internal audit		-	-	-	-	-	-	-		-
<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>		0	263 690	-	1 727	21 796	131 845	(110 049)	-83%	263 690
Energy sources		-	-	-	-	-	-	-		-
Water management		0	263 690	-	1 727	21 796	131 845	(110 049)	-83%	263 690
Waste water management		-	-	-	-	-	-	-		-
Waste management		-	-	-	-	-	-	-		-
<i>Other</i>		-	-	-	-	-	-	-		-
<b>Total Capital Expenditure - Functional Classification</b>	<b>3</b>	<b>0</b>	<b>264 840</b>	<b>-</b>	<b>1 727</b>	<b>21 796</b>	<b>132 420</b>	<b>(110 622)</b>	<b>-84%</b>	<b>264 840</b>
<b>Funded by:</b>										
National Government		0	263 690	-	1 727	21 796	131 845	(110 049)	-83%	263 690
Provincial Government		-	-	-	-	-	-	-		-
District Municipality		-	-	-	-	-	-	-		-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private		-	-	-	-	-	-	-		-
<b>Transfers recognised - capital</b>		<b>0</b>	<b>263 690</b>	<b>-</b>	<b>1 727</b>	<b>21 796</b>	<b>131 845</b>	<b>(110 049)</b>	<b>-83%</b>	<b>263 690</b>
<b>Borrowing</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Internally generated funds</b>		<b>-</b>	<b>1 150</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>575</b>	<b>(573)</b>	<b>-100%</b>	<b>1 150</b>
<b>Total Capital Funding</b>		<b>0</b>	<b>264 840</b>	<b>-</b>	<b>1 727</b>	<b>21 796</b>	<b>132 420</b>	<b>(110 622)</b>	<b>-84%</b>	<b>264 840</b>



	<b>Grant Type</b>	<b>2022/23</b>	<b>% Spent on received amount</b>
G3.101	MUNICIPAL INFRASTRUCTURE GRANT	53 456 682,43	81%
G3.102	WATER & SANITATION INFRASTRUCTURE GRANT	32 448 201,96	53%
G3.105	RURAL ROAD ASSET MANAGEMENT SYSTEM	1 372 123,32	74%
		<b>87 277 007,71</b>	<b>68%</b>

**Budgeted**  
R 132,240

**Actual Outcomes**  
R87, 277

**% Variance**  
-34

The capital expenditure for the first quarter up to December 2022 is R87,2 million resulting in a negative variance of -34% from the previously projected R132 million.

**ANALYSIS OF OUTSTANDING DEBTORS:**

Age analysis at the end of December 2022

Reflected below is the age analysis of debtors for the months of July 2021 – December 2022 totalling over R833 million at midyear.

Budget Year 2022/23											
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	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
23 249	19 829	21 818	18 360	16 434	16 223	74 105	471 428	661 446	596 550	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1 554	1 147	1 000	947	893	860	4 021	29 410	39 832	36 131	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
4 422	4 145	4 048	3 932	4 001	3 646	16 474	157 539	198 208	185 592	-	-
-	-	-	-	-	-	-	-	-	-	-	-
382	337	244	210	167	2 307	1 276	11 086	16 008	15 045	-	-
29 607	25 458	27 111	23 449	21 496	23 035	95 875	669 463	915 494	833 318	-	-
-	-	-	-	-	-	-	-	-	-	-	-
4 398	3 390	1 917	2 293	2 196	1 461	8 201	22 273	46 129	36 424	-	-
4 809	3 438	3 727	3 524	2 253	2 421	8 098	46 484	74 755	62 781	-	-
20 400	18 630	21 467	17 631	17 047	19 153	79 576	600 706	794 611	734 114	-	-
-	-	-	-	-	-	-	-	-	-	-	-
29 607	25 458	27 111	23 449	21 496	23 035	95 875	669 463	915 494	833 318	-	-

**ANALYSIS OF OUTSTANDING CREDITORS:**

**TOP TEN CREDITORS ANALYSIS AS AT 31 DECEMBER 2022**

SUPPLIER	AMOUNT
UMNGENI WATER	190 500 860,50
DEPARTMENT OF WATER AND SANITATION	56 973 416,28
INKOSI LANGALIBALELE	22 419 866,35
TRANS UNION	6 440 754,20
MGAZI ENGINEERING	3 895 186,80
WESBANK	2 500 000,00
NDULAMISO AQUA	1 974 843,24
DEVELOPMENT AGENCY	1 500 000,00
GODIDE ENGINEERING	1 331 190,72
YENGWENI ENTERPRISE	1 236 825,00

Description	NT Code	Budget Year 2022/23								
		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
<b>R thousands</b>										
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100									-
Bulk Water	0200									-
PAYE deductions	0300									-
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500									-
Loan repayments	0600									-
Trade Creditors	0700	22 469	4 684	2 991	3 339	269 509				302 992
Auditor General	0800									-
Other	0900									-
<b>Total By Customer Type</b>	<b>1000</b>	<b>22 469</b>	<b>4 684</b>	<b>2 991</b>	<b>3 339</b>	<b>269 509</b>	-	-	-	<b>302 992</b>

### Midyear Collection Rate:

The average collection rate stood at 40% at the end of December 2022

<b>MENTS VS BILLING AS AT 31 DECEMBER 2022</b>				
<b>MONTH</b>	<b>BILLING</b>	<b>MONTHS</b>	<b>RECIPTS</b>	<b>RECOVERY RATE</b>
June 2022	26,736,737.75	July 2022	7,491,754.17	28.02%
July 2022	28,769,128.16	August 2022	13,508,293.72	46.95%
August 2022	28,272,286.36	September 2022	9,339,664.04	33.03%
September 2022	26,479,318.17	October 2022	8,944,166.69	33.78%
October 2022	28,964,318.88	November 2022	14,527,036.34	50.15%
November 2022	25,317,305.87	December 2022	11,433,208.55	45.16%
	<b>164,539,095.19</b>		<b>65,244,123.51</b>	<b>40%</b>
<b>TOTALS</b>				
BILLING - JUNE 2022 - DEC 2022		164,539,095.19		
RECIPTS - JUNE 2022- DEC 2022		65,244,123.51		
DIFFERENCE		<b>99,294,971.68</b>		40%

### ANALYSIS OF CASH & INVESTMENTS:


Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate *	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
<b>R thousands</b>														
<b>Municipality</b>														
										Yrs/Months				
FNB										1 556	140	(34 000)	75 000	42 696
NEDBANK										1 053	258	(29 000)	85 000	57 311
INVESTEC										1 053	6			1 059
ABSA										938	6			944
STANDARD BANK										991				991
										-				-
										-				-
										-				-
										-				-
										-				-
										-				-
										-				-
<b>Municipality sub-total</b>										<b>5 590</b>	<b>410</b>	<b>(63 000)</b>	<b>160 000</b>	<b>103 000</b>

The table above reflects investments as at the end of the second quarter, at the various institutions. The total investments at mid-year totalled R103 million.

Description	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
<b>RECEIPTS:</b>	1,2									
<b>Operating Transfers and Grants</b>										
National Government:		(197)	36 238	-	-	2 821	18 119	(15 298)	-84,4%	36 238
Expanded Public Works Programme Integrated Grant		-	2 881	-	-	721	1 440	(719)	-49,9%	2 881
Local Government Financial Management Grant		(197)	2 100	-	-	2 100	1 050	1 050	100,0%	2 100
Municipal Infrastructure Grant		-	28 595	-	-	-	14 297	(14 297)	-100,0%	28 595
Rural Road Asset Management Systems Grant		-	2 662	-	-	-	1 331	(1 331)	-100,0%	2 662
Provincial Government:		(102)	-	-	-	-	-	-	-	-
Specify (Add grant description)		(102)	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	<b>(299)</b>	<b>36 238</b>	<b>-</b>	<b>-</b>	<b>2 821</b>	<b>18 119</b>	<b>(15 298)</b>	<b>-84,4%</b>	<b>36 238</b>
<b>Capital Transfers and Grants</b>										
National Government:		95 000	263 689	-	-	128 663	131 844	(3 181)	-2,4%	263 689
Rural Road Asset Management Systems Grant		(0)	-	-	-	1 863	-	1 863	#DIV/0!	-
Municipal Infrastructure Grant		-	182 889	-	-	66 000	91 445	(25 445)	-27,8%	182 889
Water Services Infrastructure Grant		95 000	80 800	-	-	60 800	40 400	20 400	50,5%	80 800
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	0,0%	-
Other grant providers:		-	-	-	-	-	-	-	0,0%	-
<b>Total Capital Transfers and Grants</b>	5	<b>95 000</b>	<b>263 689</b>	<b>-</b>	<b>-</b>	<b>128 663</b>	<b>131 844</b>	<b>(3 181)</b>	<b>-2,4%</b>	<b>263 689</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	<b>94 701</b>	<b>299 927</b>	<b>-</b>	<b>-</b>	<b>131 484</b>	<b>149 963</b>	<b>(18 479)</b>	<b>-12,3%</b>	<b>299 927</b>

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

- MIG – R66 million
- FMG - R 2.1 million
- EPWP – 2.8 million
- WSIG – R80 million
- RURAL ROADS ASSET MANAGEMENT GRANT – R2.6million

Prepared by:   
Accountant: Budget

Reviewed by:   
Senior Manager Finance


Approved by:   
Chief Financial Officer

**Municipal manager's quality certificate**

I **Mpumelelo Mnguni** municipal manager of uThukela District Municipality, hereby certify that the Section 72 and supporting documentation for December 2022 have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: MB Mnguni

Acting Municipal Manager of UThukela District Municipality (DC23)

Signature:	
Date:	13 January 2023