



UTHUKELA

**UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY**

2022/23 Q1

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 2022/23 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 30 September 2022

DC23 Uthukela - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September

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
R thousands										
Revenue By Source										
Property rates		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		228,821	262,441	-	(6,784)	58,586	65,610	(7,024)	-11%	262,441
Service charges - sanitation revenue		18,779	19,135	-	1,317	4,107	4,784	(677)	-14%	19,135
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-
Interest earned - external investments		3,922	6,463	-	924	1,573	1,616	(43)	-3%	6,463
Interest earned - outstanding debtors		36,488	39,376	-	4,090	12,179	9,844	2,335	24%	39,376
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		12	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		516,101	576,150	-	-	210,565	144,037	66,528	46%	576,150
Other revenue		74,269	1,306	-	7,691	11,660	327	11,333	3470%	1,306
Gains		319	-	-	-	-	-	-	-	-
		878,710	904,871	-	7,237	298,669	226,218	72,451	32%	904,871
Total Revenue (excluding capital transfers and contributions)										
Expenditure By Type										
Employee related costs		366,528	361,120	-	27,913	80,840	90,280	(9,440)	-10%	361,120
Remuneration of councillors		6,463	6,371	-	546	1,668	1,593	75	5%	6,371
Debt impairment		127,571	100,088	-	-	-	25,022	(25,022)	-100%	100,088
Depreciation & asset impairment		90,564	77,983	-	20,326	20,326	19,496	831	4%	77,983
Finance charges		3,849	1,085	-	-	2	271	(269)	-99%	1,085
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-
Inventory consumed		64,822	130,162	-	2,237	2,386	32,540	(30,155)	-93%	130,162
Contracted services		158,830	147,641	-	11,767	16,629	36,910	(20,281)	-55%	147,641
Transfers and subsidies		-	3,120	-	-	-	780	(780)	-100%	3,120
Other expenditure		182,402	152,858	-	4,888	7,536	38,214	(30,678)	-80%	152,858
Losses		-	-	-	-	-	-	-	-	-
		1,001,029	980,427	-	67,678	129,388	245,107	(115,719)	-47%	980,427
Total Expenditure										
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(122,319)	(75,556)	-	(60,440)	169,281	(18,889)	188,170	(0)	(75,556)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		294,761	263,689	-	-	-	65,922	(65,922)	(0)	263,689
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		172,442	188,133	-	(60,440)	169,281	47,033			188,133
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		172,442	188,133	-	(60,440)	169,281	47,033			188,133
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		172,442	188,133	-	(60,440)	169,281	47,033			188,133
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		172,442	188,133	-	(60,440)	169,281	47,033			188,133

References

1. Material variances to be explained on Table SC1

Total Revenue (excluding capital transfers and contributions) including capi	1,173,471	1,168,560		7,237	298,669	292,140				1,168,560
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SUMMARY OF FINANCIAL PERFORMANCE

ANALYSIS OF OPERATING REVENUE (JULY 2022 – SEPTEMBER 2022) EXCLUDING CAPITAL TRANSFERS:

Budgeted
R904,871

Actual Outcomes
R 298,669

% Variance
32%

Operating revenue recognised for the period July 2022 to September 2022 amounts to R298 million resulting in a 32% positive variance from the R226 million which was anticipated.

The 32 % 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 32% positive variance on transfers recognised, which is the direct impact of the 1st tranche of the equitable share of R210 million.

WATER & SANITATION SALES:

Water and sanitation sales income recognised combined is 12,5% below what was originally anticipated. This is due to the billing error that was made in August and has to be corrected in September, hence in September we have a negative billing of R6,7 million of water sales in September 2022.

INTEREST FROM OUTSTANDING DEBTORS:

This line item has yielded a positive variance of 24%, it appears we have billed more interest than we had originally anticipated, however this shows an increase in the previously anticipated collection rate.

There is a 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 R1.5 million has been recognised as interest from external investments resulting in a negative variance of 3%.

The municipality has become heavily dependent on investments due to our poor cash condition. We also note the negative impact of the unapproved rollovers on investment interest materialised.

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ANALYSIS OF OPERATING EXPENDITURE (JULY 2020 – SEPTEMBER 2020)

Budgeted	Actual Outcomes	% Variance
R980,427	R 1129,388	-47

The total operating expenditure of the municipality for the three-month period is R129 million a -47% negative variance from the R 245 million which was anticipated.

EMPLOYEE RELATED COSTS:

Employee related cost incurred is 10% below what was budgeted for the three-month period. This is the effect of overtime reduction.

OTHER MATERIALS:

The bulk of other materials comprises of fuel, oil and chemicals. Other materials have a negative variance of 93% from the amount originally budgeted. However council must also note that it is due to fuel and oil that there is huge variance. This is due to the huge cost savings on fuel and oil

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 80% 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.

DC23 Uthukela - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M03 September

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
R thousands	1									
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		-	1,150	-	2	2	288	(286)	-99%	1,150
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		0	263,690	-	5,765	5,765	65,922	(60,157)	-91%	263,690
Vote 7 -		-	-	-	-	-	-	-		-
Vote 8 -		-	-	-	-	-	-	-		-
Vote 9 -		-	-	-	-	-	-	-		-
Vote 10 -		-	-	-	-	-	-	-		-
Vote 11 -		-	-	-	-	-	-	-		-
Vote 12 -		-	-	-	-	-	-	-		-
Vote 13 -		-	-	-	-	-	-	-		-
Vote 14 -		-	-	-	-	-	-	-		-
Vote 15 -		-	-	-	-	-	-	-		-
Total Capital single-year expenditure	4	0	264,840	-	5,767	5,767	66,210	(60,443)	-91%	264,840
Total Capital Expenditure		0	264,840	-	5,767	5,767	66,210	(60,443)	-91%	264,840
Capital Expenditure - Functional Classification										
Governance and administration		-	1,150	-	2	2	288	(286)	-99%	1,150
Executive and council		-	-	-	-	-	-	-		-
Finance and administration		-	1,150	-	2	2	288	(286)	-99%	1,150
Internal audit		-	-	-	-	-	-	-		-
Community and public safety		-	-	-	-	-	-	-		-
Community and social services		-	-	-	-	-	-	-		-
Sport and recreation		-	-	-	-	-	-	-		-
Public safety		-	-	-	-	-	-	-		-
Housing		-	-	-	-	-	-	-		-
Health		-	-	-	-	-	-	-		-
Economic and environmental services		-	-	-	-	-	-	-		-
Planning and development		-	-	-	-	-	-	-		-
Road transport		-	-	-	-	-	-	-		-
Environmental protection		-	-	-	-	-	-	-		-
Trading services		0	263,690	-	5,765	5,765	65,922	(60,157)	-91%	263,690
Energy sources		-	-	-	-	-	-	-		-
Water management		0	263,690	-	5,765	5,765	65,922	(60,157)	-91%	263,690
Waste water management		-	-	-	-	-	-	-		-
Waste management		-	-	-	-	-	-	-		-
Other		-	-	-	-	-	-	-		-
Total Capital Expenditure - Functional Classification	3	0	264,840	-	5,767	5,767	66,210	(60,443)	-91%	264,840
Funded by:										
National Government		0	263,690	-	5,765	5,765	65,922	(60,157)	-91%	263,690

DC23 Uthukela - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M03 September

Vote Description	Ref	2021/22	Budget Year 2022/23							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands	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	263,690	-	5,765	5,765	65,922	(60,157)	-91%	263,690
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		-	1,150	-	2	2	288	(286)	-99%	1,150
Total Capital Funding		0	264,840	-	5,767	5,767	66,210	(60,443)	-91%	264,840

References

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
6. Include finance leases and PPP capital funding component of unitary payment - total borrowing/repayments to reconcile to changes in Table SA17

check balance

Uthukela - Supporting Table SC3 Monthly Budget Statement - aged debtors - M03 September

Description	NT Code	Budget Year 2022/23										Total	Over 1Yr	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 Days	151-180 Days	181 Dya-1 Yr	Over 1Yr	Total	Over 1Yr					
Income Source																
Age Analysis By Income Source																
1200 and Other Receivables from Exchange Transactions - Water	1200	25,602	19,048	18,728	18,531	18,183	15,717	75,141	447,299	638,249	574,870	-	-	-	-	-
1300 and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1400 and Other Receivables from Exchange Transactions - Property Rates	1400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1500 and Other Receivables from Exchange Transactions - Waste Water Management	1500	1,653	1,139	1,022	878	901	919	4,159	28,630	39,301	35,487	-	-	-	-	-
1600 and Other Receivables from Exchange Transactions - Waste Management	1600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1700 and Other Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1810 and Other Receivables from Exchange Transactions - Property Rental Debtors	1810	4,128	4,201	3,827	3,699	3,576	3,447	15,628	150,740	189,245	177,090	-	-	-	-	-
1820 and Other Receivables from Exchange Transactions - Property Rental Debtors	1820	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1900 and Other Receivables from Exchange Transactions - Property Rental Debtors	1900	361	241	2,480	442	326	312	958	10,713	15,832	12,750	-	-	-	-	-
2000 and Other Receivables from Exchange Transactions - Property Rental Debtors	2000	31,744	24,629	26,058	23,549	22,985	20,395	95,886	637,381	882,627	806,196	-	-	-	-	-
Income Source totals only		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Age Analysis By Customer Group																
2200 and Other Receivables from Exchange Transactions - Property Rental Debtors	2200	4,143	2,802	2,236	4,038	3,920	1,260	5,741	25,286	49,426	40,245	-	-	-	-	-
2300 and Other Receivables from Exchange Transactions - Property Rental Debtors	2300	6,409	2,771	2,788	1,908	1,950	1,826	7,481	44,488	69,622	57,653	-	-	-	-	-
2400 and Other Receivables from Exchange Transactions - Property Rental Debtors	2400	21,191	19,057	21,034	17,602	17,116	17,309	82,664	567,607	763,580	702,298	-	-	-	-	-
2500 and Other Receivables from Exchange Transactions - Property Rental Debtors	2500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer Group	2600	31,744	24,629	26,058	23,549	22,985	20,395	95,886	637,381	882,627	806,196	-	-	-	-	-

UTHUKELA DISRTICT MUNICIPALITY 2023

SUMMARY OF CAPITAL PROJECT IMPLEMENTATION

Budgeted
R 264,840

Actual Outcomes
R 5,767

% Variance
-91

The capital expenditure for the first quarter shows R5 million resulting in a negative variance of 91% from the projected R66 million. There are payments that has been done but not yet costed on the system, which equals to R26 million, therefore this will actually decrease the negative variance

ANALYSIS OF OUTSTANDING DEBTORS:

Age analysis at September 2022

Reflected above is the age analysis of debtors for the months of July 2022 – September 2022 totalling over R882 million.

Midyear Collection Rate:

The average collection rate stood at 36% at the end of September 2022

MENTS VS BILLING AS AT 30 SEPTEMBER 2022				
MONTH	BILLING	MONTHS	RECIEPTS	RECOVERY RATE
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	Setember 2022	9,339,664.04	33.03%
	83,778,152.27		30,339,711.93	36%
TOTALS				
BILLING - JUNE 2022 - SEPT 2022	83,778,152.27			
RECIEPTS - JUNE 2022- SEPT 20	30,339,711.93			
DIFFERENCE	53,438,440.34		36%	

The fluctuation in the collection rate is noted, collection rate was at an average of 36% at the end of the first quarter.

UTHUKELA DISTRICT MUNICIPALITY 2023

ANALYSIS OF CASH & INVESTMENTS:

DC 23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M03 September

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	6,524	17	(5,000)		1,541
NEDBANK	5,886	121			6,007
INVESTEC	40,683	186			40,868
ABSA	68,603	223	(50,000)		18,826
STANDARD BANK	41,401	203			41,604
TOTAL INVESTMENTS AND INTEREST	163,096	-	(55,000)	-	108,846

The table above reflects investments as at the end of the first quarter, at the various institutions. The total investments totalled R108 million.

Bank Balance

Bank Balances				
The following reflects bank balances at 30 September 2022				
DESCRIPTION	JUNE 2022	JULY 2022	AUGUST 2022	SEPTEMBER 2022
FNB MAIN ACCO	9,727,287.91	4,264,365.47	8,064,085.75	19,250,659.80
FNB WATER AC	0	0	0	0
	9,727,287.91	8,131,102.76	8,064,085.75	19,250,659.80
Total cash held	19,250,659.80			

At the end of September 2022 cash on hand was R19 million

ANALYSIS OF GRANTS RECEIVED:

Conditional Grant allocations received at the end of September 2022 were as follows:

- MIG – R66 million
- FMG - R 2,1 million
- EPWP – R721 thousand
- WSIG – R20.8 million

UTHUKELA DISTRICT MUNICIPALITY | 2023

Prepared by
Budget Officer

Reviewed by:
Accountant : Budget

Approved by:
Chief Financial Officer

Municipal manager's quality certificate

I **Mpumelelo Bongani**, municipal manager of UThukela District Municipality, hereby certify that the Section 52 and supporting documentation for September 2022 have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: Mpumelelo Bongani Mnguni

Municipal Manager of UThukela District Municipality (DC23)

Signature:



Date: 12 October 2022