

**UTHUKELA**

**UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY**

**2022/23 Q3**

**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 March 2023

DC23 Uthukela - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March

Vote Description		Ref	2021/22 Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	Budget Year 2022/23				Full Year Forecast
R thousands							YearTD actual	YearTD budget	YTD variance	YTD variance %	
<b>Revenue By Source</b>											
Property rates			-	-	-	-	-	-	-	-	-
Service charges - electricity revenue			-	-	-	-	-	-	-	-	-
Service charges - water revenue			232,333	262,441	234,344	17,451	162,865	196,831	(33,966)	-17%	262,441
Service charges - sanitation revenue			18,779	19,135	16,426	1,322	(2,363)	14,351	(16,715)	-116%	19,135
Service charges - refuse revenue			-	-	-	-	-	-	-	-	-
Rental of facilities and equipment			-	-	-	-	-	-	-	-	-
Interest earned - external investments			3,922	6,463	5,972	242	4,135	4,847	(713)	-15%	6,463
Interest earned - outstanding debtors			36,488	39,376	48,534	4,189	36,116	29,532	6,584	22%	39,376
Dividends received			-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits			12	-	36	-	47	-	47	#DIV/0!	-
Licences and permits			-	-	-	-	-	-	-	-	-
Agency services			-	-	-	-	-	-	-	-	-
Transfers and subsidies			516,839	576,150	586,665	149,376	527,936	432,112	95,824	22%	576,150
Other revenue			74,269	1,306	33,145	5,864	40,860	980	39,880	4070%	1,306
Gains			319	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>			<b>882,960</b>	<b>904,871</b>	<b>925,122</b>	<b>178,444</b>	<b>769,594</b>	<b>678,654</b>	<b>90,941</b>	<b>13%</b>	<b>904,871</b>
<b>Expenditure By Type</b>											
Employee related costs			366,528	361,120	353,756	26,462	259,577	270,840	(11,263)	-4%	361,120
Remuneration of councillors			6,463	6,371	6,371	512	4,870	4,779	92	2%	6,371
Debt impairment			172,981	100,088	149,066	-	-	75,066	(75,066)	-100%	100,088
Depreciation & asset impairment			81,732	77,983	81,300	-	87,224	58,487	28,736	49%	77,983
Finance charges			6,649	1,085	3	-	2	814	(811)	-100%	1,085
Bulk purchases - electricity			-	-	-	-	-	-	-	-	-
Inventory consumed			62,022	130,162	34,076	250	(281)	97,621	(97,902)	-100%	130,162
Contracted services			158,830	147,641	159,182	21,732	97,056	110,731	(13,675)	-12%	147,641
Transfers and subsidies			-	3,120	3,120	-	2,000	2,340	(340)	-15%	3,120
Other expenditure			182,506	152,858	154,547	4,376	73,082	114,643	(41,562)	-36%	152,858
Losses			-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>			<b>1,037,710</b>	<b>980,427</b>	<b>941,421</b>	<b>53,332</b>	<b>523,530</b>	<b>735,320</b>	<b>(211,790)</b>	<b>-29%</b>	<b>980,427</b>
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			(154,750)	(75,556)	(16,299)	125,112	246,064	(56,667)	302,731	(0)	(75,556)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			290,719	263,689	241,174	-	-	197,767	(197,767)	(0)	263,689
Transfers and subsidies - capital (in-kind - all)			-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions			135,969	188,133	224,875	125,112	246,064	141,100	-	-	188,133
Taxation			-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation			135,969	188,133	224,875	125,112	246,064	141,100	-	-	188,133
Attributable to minorities			-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality			135,969	188,133	224,875	125,112	246,064	141,100	-	-	188,133
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>			<b>135,969</b>	<b>188,133</b>	<b>224,875</b>	<b>125,112</b>	<b>246,064</b>	<b>141,100</b>	<b>-</b>	<b>-</b>	<b>188,133</b>

**References**

1. Material variances to be explained on Table SC1

Total Revenue (excluding capital transfers and contributions) including capi	1,173,678	1,168,560	1,166,297	178,444	769,594	876,420	1,168,560
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DC23 Uthukela - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M09 March

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>1</b>									
<b>Multi-Year expenditure appropriation</b>	<b>2</b>									
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 -		-	-	-	-	-	-	-		-
<b>Total Capital Multi-year expenditure</b>	<b>4,7</b>	-	-	-	-	-	-	-		-
<b>Single Year expenditure appropriation</b>	<b>2</b>									
Vote 1 - MAYOR AND MM		-	-	-	-	-	-	-		-
Vote 2 - CORPORATE SERVICES		-	1,150	1,150	-	2	863	(861)	-100%	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	178,449	704	48,890	197,767	(148,877)	-75%	263,690
Vote 7 -		-	-	-	-	-	-	-		-
Vote 8 -		-	-	-	-	-	-	-		-
Vote 9 -		-	-	-	-	-	-	-		-
Vote 10 -		-	-	-	-	-	-	-		-
Vote 11 -		-	-	-	-	-	-	-		-
Vote 12 -		-	-	-	-	-	-	-		-
Vote 13 -		-	-	-	-	-	-	-		-
Vote 14 -		-	-	-	-	-	-	-		-
Vote 15 -		-	-	-	-	-	-	-		-
<b>Total Capital single-year expenditure</b>	<b>4</b>	0	264,840	179,599	704	48,892	198,630	(149,738)	-75%	264,840
<b>Total Capital Expenditure</b>		0	264,840	179,599	704	48,892	198,630	(149,738)	-75%	264,840
<b>Capital Expenditure - Functional Classification</b>										
<i>Governance and administration</i>		-	1,150	1,150	-	2	863	(861)	-100%	1,150
Executive and council		-	-	-	-	-	-	-		-
Finance and administration		-	1,150	1,150	-	2	863	(861)	-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	241,974	1,818	50,005	197,767	(147,763)	-75%	263,690
Energy sources		-	-	-	-	-	-	-		-
Water management		0	263,690	183,644	704	48,890	197,767	(148,877)	-75%	263,690
Waste water management		-	-	58,330	1,115	1,115	-	1,115	#DIV/0!	-
Waste management		-	-	-	-	-	-	-		-
<i>Other</i>		-	-	-	-	-	-	-		-
<b>Total Capital Expenditure - Functional Classification</b>	<b>3</b>	0	264,840	243,124	1,818	50,007	198,630	(148,623)	-75%	264,840
<b>Funded by:</b>										
National Government		0	263,690	241,174	1,818	50,005	197,767	(147,763)	-75%	263,690

DC23 Uthukela - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M09 March

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									
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	241,174	1,818	50,005	197,767	(147,763)	-75%	263,690
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		-	1,150	1,950	-	2	863	(861)	-100%	1,150
<b>Total Capital Funding</b>		<b>0</b>	<b>264,840</b>	<b>243,124</b>	<b>1,818</b>	<b>50,007</b>	<b>198,630</b>	<b>(148,623)</b>	<b>-75%</b>	<b>264,840</b>

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 - - -63,525,770.0 -1,114,724.5 -1,114,724.5 -

## **SUMMARY OF FINANCIAL PERFORMANCE**

### **ANALYSIS OF OPERATING REVENUE (JULY 2022 – MARCH 2023) EXCLUDING CAPITAL TRANSFERS:**

<b>Budgeted</b>	<b>Actual Outcomes</b>	<b>% Variance</b>
<b>R925,122</b>	<b>R 769,594</b>	<b>13%</b>

Operating revenue recognised for the period July 2022 to March 2023 amounts to R769 million resulting in a 13% positive variance from the R678 million which was anticipated.

The 83% 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 13% positive variance on transfers recognised, which is the direct impact of the total equitable share received amounting to R

### **WATER& SANITATION SALES:**

Water income is R162 million as at the end of the third quarter which is 17% below what was anticipated.

Sanitation sales income recognised –R2.3 million which is 116% below what was originally anticipated. It shows there is an error in sanitation billing which is being investigated.

### **INTEREST FROM OUTSTANDING DEBTORS:**

This line item has yielded a positive variance of 22%, 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 R4 million has been recognised as interest from external investments resulting in a negative variance of 15%.

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.

# UTHUKELA DISRTICT MUNICIPALITY | 2023

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## ANALYSIS OF OPERATING EXPENDITURE (JULY 2022 – March 2023)

<b>Budgeted</b>	<b>Actual Outcomes</b>	<b>% Variance</b>
<b>R941,421</b>	<b>R 523,530</b>	<b>-29</b>

The total operating expenditure of the municipality for the nine-month period is R523 million a -29% negative variance from the R 735 million which was anticipated.

### EMPLOYEE RELATED COSTS:

Employee related cost incurred is 4% below what was budgeted for the nine-month period.

### OTHER MATERIALS:

The bulk of other materials comprises of fuel, oil and chemicals. Other materials have a negative variance of 100% from the amount originally budgeted.

The council must note that there was a reversal on the chemicals vote which resulted in this variance. The council must also note that the budget team is busy correcting that reversal, soon the other material will show the reasonable spending.

### 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 36% 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.

# UTHUKELA DISTRICT MUNICIPALITY | 2023

## SUMMARY OF CAPITAL PROJECT IMPLEMENTATION

<b>Budgeted</b> <b>R 243,128</b>	<b>Actual Outcomes</b> <b>R 50,007</b>	<b>% Variance</b> <b>-75</b>
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The capital expenditure for the Third quarter shows R50 million resulting in a negative variance of -75% from the projected R198 million. There is a problem with data strings on our system which we have communicated with munsoft, they are busy rectifying the problem. We have prepared the grant register that shows an accurate spending on grants.

### ANALYSIS OF OUTSTANDING DEBTORS:

Age analysis at March 2023

Reflected above is the age analysis of debtors for the months of July 2022 – March 2023 totalling over R941 million.

#### **Midyear Collection Rate:**

The average collection rate stood at 44% at the end of March 2023

<b>Payments vs Billing AS AT 31 MARCH 2023</b>				
<b>MONTH</b>	<b>BILLING</b>	<b>MONTHS</b>	<b>RECEIPTS</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%
December 2022	28,486,530.40	January 2023	13,791,062.00	48.41%
January 2023	26,643,151.46	February 2023	18,236,508.53	68.45%
February 2023	21,256,993.64	March 2023	8,399,078.96	39.51%
	<b>240,925,770.69</b>		<b>105,670,773.00</b>	<b>44%</b>
<b>TOTALS</b>				
BILLING - JUNE 2022 - MAR 2023		240,925,770.69		
RECEIPTS - JUNE 2022 - MAR 2023		105,670,773.00		
DIFFERENCE		135,254,997.69		44%

The fluctuation in the collection rate is noted, collection rate was at an average of 44% at the end of the third quarter.

# UTHUKELA DISRTICT MUNICIPALITY | 2023

## ANALYSIS OF CASH & INVESTMENTS:

**DC23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M09 March**

Investments by maturity Name of institution & investment ID	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
<b>R thousands</b>					
<b>Municipality</b>					
FNB	2,903	89		25,000	27,991
NEDBANK	51,720	252	(40,000)	25,000	36,972
INVESTEC	1,071	65		25,000	26,136
ABSA	955	71		25,000	26,027
STANDARD BANK	1,028	46		25,000	26,074
<b>TOTAL INVESTMENTS AND INTEREST</b>	<b>57,676</b>	<b>-</b>	<b>(40,000)</b>	<b>125,000</b>	<b>143,200</b>

The table above reflects investments as at the end of the third quarter, at the various institutions. The total investments totalled at R143 million.

### Bank Balance

#### **Bank Balances**

The following reflects bank balances at 31 March 2023

DESCRIPTION	DECEMBER 2022	JANUARY 2023	FEBRUARY 2023	MARCH 2023
FNB MAIN ACCO	11,093,550.99	10,320,510.61	8,870,775.24	50,249,470.86
FNB WATER AC	0	0	0	0
	<b>0.00</b>	<b>10,320,510.61</b>	<b>8,870,775.24</b>	<b>50,249,470.86</b>
<b>Total cash held</b>	<b>50,249,470.86</b>			

At the end of March 2023 cash on hand was R50 million

## **ANALYSIS OF GRANTS RECEIVED:**

Conditional Grant allocations received at the end of March 2023 were as follows:

- MIG – R171 million
- FMG - R 2,1 million
- EPWP – R2,8 million
- WSIG – R80.8 million

# UTHUKELA DISRTICT MUNICIPALITY | 2023

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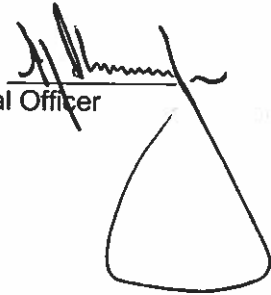
Prepared by  
Budget Officer



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 March 2023 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: 13 April 2023