



UTHUKELA

**UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY**

2022/23 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 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 31 December 2022

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
R thousands										
Revenue By Source										
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	-	-	-	-	-	-	-	-
		882,960	904,871	-	193,323	536,325	452,436	83,889	19%	904,871
Total Revenue (excluding capital transfers and contributions)										
Expenditure By Type										
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		-	-	-	-	-	-	-	-	-
		1,037,710	980,427	-	71,276	343,493	490,214	(146,721)	-30%	980,427
Total Expenditure										
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(154,750)	(75,556)	-	122,047	192,832	(37,778)	230,610	(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	-	-	-	131,844	(131,844)	(0)	263,689
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		135,969	188,133	-	122,047	192,832	94,067			188,133
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		135,969	188,133	-	122,047	192,832	94,067			188,133
Attributable to minorities		-	-	-	-	-	-			-
Surplus/(Deficit) attributable to municipality		135,969	188,133	-	122,047	192,832	94,067			188,133
Share of surplus/ (deficit) of associate		-	-	-	-	-	-			-
		-	-	-	-	-	-			-
Surplus/ (Deficit) for the year		135,969	188,133	-	122,047	192,832	94,067			188,133

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	193,323	536,325	584,280	1,168,560
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SUMMARY OF FINANCIAL PERFORMANCE

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

Budgeted R904,871	Actual Outcomes R 536,325	% Variance 19%
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Operating revenue recognised for the period July 2022 to December 2022 amounts to R536 million resulting in a 19% positive variance from the 452 million which was anticipated.

The 19 % 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 19% positive variance on transfers recognised, which is the direct impact of the 1st tranche of the equitable share of R210 million and 2nd tranche of R167 million.

WATER& SANITATION SALES:

Water income is R131 million as at the end of the second quarter which is 10% below what was anticipated.

Sanitation sales income recognised -R6.5 million which is 168% 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 18%, 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 R3 million has been recognised as interest from external investments resulting in a negative variance of 5%.

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.

ANALYSIS OF OPERATING EXPENDITURE (JULY 2022 – December 2022)

Budgeted	Actual Outcomes	% Variance
R980,427	R 343,493	-30

The total operating expenditure of the municipality for the six-month period is R343 million a -30% negative variance from the R 490 million which was anticipated.

EMPLOYEE RELATED COSTS:

Employee related cost incurred is 7% above what was budgeted for the six-month period. This is the effect of overtime.

OTHER MATERIALS:

The bulk of other materials comprises of fuel, oil and chemicals. Other materials have a negative variance of 85% 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 31% 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) - 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
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	575	(573)	-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	-	1,727	21,796	131,845	(110,049)	-83%	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	-	1,727	21,798	132,420	(110,622)	-84%	264,840
Total Capital Expenditure		0	264,840	-	1,727	21,798	132,420	(110,622)	-84%	264,840
Capital Expenditure - Functional Classification										
Governance and administration		-	1,150	-	-	2	575	(573)	-100%	1,150
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		-	1,150	-	-	2	575	(573)	-100%	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	-	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		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	0	264,840	-	1,727	21,798	132,420	(110,622)	-84%	264,840
Funded by:										
National Government		0	263,690	-	1,727	21,796	131,845	(110,049)	-83%	263,690

DC23 Uthukela - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - 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
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	-	1,727	21,796	131,845	(110,049)	-83%	263,690
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		-	1,150	-	-	2	575	(573)	-100%	1,150
Total Capital Funding		0	264,840	-	1,727	21,798	132,420	(110,622)	-84%	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

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SUMMARY OF CAPITAL PROJECT IMPLEMENTATION

Budgeted	Actual Outcomes	% Variance
R 264,840	R 21,798	-84

The capital expenditure for the second quarter shows R21 million resulting in a negative variance of 91% from the projected R132 million. There are payments that has been done but not yet costed on the system. The grant register shows more accurate expenditure because it is prepared according to payment done and not according to costing.

ANALYSIS OF OUTSTANDING DEBTORS:

Age analysis at December 2022

Reflected above is the age analysis of debtors for the months of July 2022 – December 2022 totalling over R915 million.

Midyear Collection Rate:

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

MENTS VS BILLING AS AT 31 DECEMBER 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	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%
	164,539,095.19		65,244,123.51	40%
TOTALS				
BILLING - JUNE 2022 - DEC 2022	164,539,095.19			
RECIEPTS - JUNE 2022- DEC 202	65,244,123.51			
DIFFERENCE	99,294,971.68		40%	

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

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ANALYSIS OF CASH & INVESTMENTS:

DC23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M06 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	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
TOTAL INVESTMENTS AND INTEREST	5,590	-	(63,000)	160,000	103,000

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

Bank Balance

Bank Balances

The following reflects bank balances at 31 December 2022

DESCRIPTION	SEPTEMBER 2022	OCTOBER 2022	NOVEMBER 2022	DECEMBER 2022
FNB MAIN ACCO	19,250,659.80	20,505,946.37	45,212,564.70	11,093,550.99
FNB WATER AC	0	0	0	0
	19,250,659.80	20,505,946.37	45,212,564.70	11,093,550.99
Total cash held	11,093,550.99			

At the end of December 2022 cash on hand was R11 million

ANALYSIS OF GRANTS RECIEVED:

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

- MIG – R66 million
- FMG - R 2,1 million
- EPWP – R721 thousand
- WSIG – R60.8 million

UTHUKELA DISTRICT MUNICIPALITY | 2023

Prepared by
Budget Officer



Reviewed by:
Accountant : Budget



Approved by:
Chief Financial Officer

