



UTHUKELA

**UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY**

2021/22 Q3

QUARTERLY REVIEW (S52)

PURPOSE

To report to Council on the quarterly review of the financial and performance results for the third 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 March 2022

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	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands										
Revenue By Source										
Property rates	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	27 485	-	-	-	-	-	-	-	-	
Service charges - water revenue	215 985	260 345	247 586	15 716	168 451	195 258	(26 807)	-14%	260 345	
Service charges - sanitation revenue	27 585	21 154	18 052	1 755	14 290	15 865	(1 575)	-10%	21 154	
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	
Interest earned - external investments	5 357	6 463	6 463	-	2 901	4 847	(1 946)	-40%	6 463	
Interest earned - outstanding debtors	68 865	72 794	37 147	2 938	25 312	54 596	(29 284)	-54%	72 794	
Dividends received	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits	6	10	10	-	9	7	2	21%	10	
Licences and permits	-	-	-	-	-	-	-	-	-	
Agency services	-	-	-	-	-	-	-	-	-	
Transfers and subsidies	535 441	528 165	528 165	121 289	484 901	396 124	88 777	22%	528 165	
Other revenue	62 765	42 780	3 111	63	59 793	32 085	27 708	86%	42 780	
Gains	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	943 488	931 711	840 534	141 760	755 657	698 783	56 874	8%	931 711	
Expenditure By Type										
Employee related costs	350 386	369 333	386 329	31 629	273 866	277 000	(3 133)	-1%	369 333	
Remuneration of councillors	6 364	6 372	6 372	562	4 796	4 779	18	0%	6 372	
Debt impairment	416 639	186 252	186 252	-	-	139 689	(139 689)	-100%	186 252	
Depreciation & asset impairment	72 621	67 363	62 436	6 411	56 237	50 522	5 715	11%	67 363	
Finance charges	2 738	-	-	-	-	-	-	-	-	
Bulk purchases - electricity	127 214	-	-	-	-	-	-	-	-	
Inventory consumed	24 957	62 800	124 200	27 074	80 744	47 100	33 644	71%	62 800	
Contracted services	145 573	119 573	140 879	10 633	79 455	89 679	(10 224)	-11%	119 573	
Transfers and subsidies	-	-	-	-	-	-	-	-	-	
Other expenditure	141 141	109 865	145 857	5 742	73 509	82 398	(8 889)	-11%	109 865	
Losses	5 240	-	-	-	-	-	-	-	-	
Total Expenditure	1 292 873	921 557	1 052 324	82 051	568 608	691 167	(122 559)	-18%	921 557	
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary associations) (National / Provincial and District)	(349 385)	10 154	(211 790)	59 709	187 049	7 616	179 433	0	10 154	
Transfers and subsidies - capital (monetary associations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	293 785	246 009	246 009	-	-	184 507	(184 507)	(0)	246 009	
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	(55 600)	256 163	34 219	59 709	187 049	192 123	-	-	256 163	
Taxation	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation	(55 600)	256 163	34 219	59 709	187 049	192 123	-	-	-	
Attributable to minorities	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality	(55 600)	256 163	34 219	59 709	187 049	192 123	-	-	256 163	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year	(55 600)	256 163	34 219	59 709	187 049	192 123	-	-	256 163	
References										

1. Material variances to be explained on Table SC1

Total Revenue (excluding capital transfers and contributions) including cap	1 237 273	1 177 720	1 086 543	141 760	755 657	883 290	1 177 720
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SUMMARY OF FINANCIAL PERFORMANCE

ANALYSIS OF OPERATING REVENUE (JULY 2021 – MARCH 2022) EXCLUDING CAPITAL TRANSFERS:

Budgeted	Actual Outcomes	Variance
698,783	R 755,657	8%

Operating revenue recognised for the period July 2021 to March 2022 amounts to R755 million resulting in an 8% positive variance from the R698 million which was anticipated.

The 8 % 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 86% positive variance on other revenue.
- ii. The 22% positive variance on transfers and subsidies.

WATER & SANITATION SALES:

Water and sanitation sales income recognised combined is 24% below what was originally anticipated.

INTEREST FROM OUTSTANDING DEBTORS:

This line item has yielded a negative variance of 54%, 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.

The installation of prepaid meters will also aid a decline on this line item.

INTEREST FROM INVESTMENTS:

A total of R2.9 million has been recognised as interest from external investments resulting in a negative variance of 40%.

The municipality has become heavily dependent on investments due to our poor cash condition. This has made it difficult to realise income through investments. It must be noted that all unspent conditional grants are cash backed.

Through commitment to the budget funding plan the municipality will be able to generate and secure investments, which would improve interest generated from investments.

ANALYSIS OF OPERATING EXPENDITURE (JULY 2020 – MARCH 2022)

Budgeted	Actual Outcomes	Variance
R691,167	R 568,608	- 18%

The total operating expenditure of the municipality for the nine-month period is R568 million a 18% negative variance from the R 691 million which was anticipated.

EMPLOYEE RELATED COSTS:

Employee related cost incurred is -1% below what was budgeted for the nine-month period. We highlight that overtime remains a critical cost driver. This is as a result on controls implemented on standby and overtime.

OTHER MATERIALS:

The bulk of other materials comprises of fuel, oil and chemicals. Other materials have a variance of 71 % positive variance from the amount originally budgeted. The cost of fuel and oil being the major contributor of the unauthorised expenditure.

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 11% below what was budgeted. Expenditure in general 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 unnecessary expenditure.

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									
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	338	415	600	(185)	-31%	800
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	11 276	187 334	188 257	(922)	0%	251 009
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	11 614	187 749	188 857	(1 107)	-1%	251 809
Total Capital Expenditure		275 281	251 809	258 381	11 614	187 749	188 857	(1 107)	-1%	251 809
Capital Expenditure - Functional Classification										
Governance and administration										
Executive and council		275 281	800	800	338	415	600	(185)	-31%	800
Finance and administration		-	-	-	-	-	-	-	-	-
Internal audit		275 281	800	800	338	415	600	(185)	-31%	800
Community and public safety										
Community and social services		0	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		0	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services										
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services										
Energy sources		0	251 009	257 581	11 276	187 334	188 257	(922)	0%	251 009
Water management		-	-	-	-	-	-	-	-	-
Waste water management		0	251 009	257 581	11 276	187 334	188 257	(922)	0%	251 009
Waste management		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	275 281	251 809	258 381	11 614	187 749	188 857	(1 107)	-1%	251 809
Funded by:										
National Government		0	246 009	253 331	11 294	174 218	184 507	(10 289)	-6%	246 009
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-

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									
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	11 294	174 218	184 507	(10 289)	-6%	246 009
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		31	5 800	5 050	320	11 583	4 350	7 233	166%	5 800
Total Capital Funding		31	251 809	258 381	11 614	185 801	188 857	(3 056)	-2%	251 809

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
R 188,857

Actual Outcomes
R 185,801

% Variance
-2

The capital expenditure for the third quarter is R186 million resulting in a negative variance of 10% from the projected R189 million

ANALYSIS OF OUTSTANDING DEBTORS:

Age analysis at March 2022

Reflected on the following page is the age analysis of debtors for the months of July 2020 – March 2022 totalling over R1 million.

ANALYSIS OF OUTSTANDING CREDITORS:

Age analysis at March 2022

Reflected above is the age analysis of creditors for the months of July 2020 – March 2022 totalling over R320 million

DC23 Uthukela - Supporting Table SC4 Monthly Budget Statement - aged creditors - M09 March

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
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	2 822	7 447	(3 271)	2 901	310 789			320 690
Auditor General	0800								-
Other	0900								-
Total By Customer Type	1000	2 822	7 447	(3 271)	2 901	310 789	-	-	320 690

DC23 Ukhukela - Supporting Table SC3 Monthly Budget Statement - aged debtors - M09 March

Description	NT Code	Budget Year 2022/23										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts LfO Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dns	151-180 Dns	181 Dns-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	(677)	27 615	22 796	23 170	19 296	19 130	20 271	617 051	748 653	698 919		
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 Arrear Debtor Accounts	1810												
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820												
Other	1900	9	7	19	(49)	23	17	21	54 449	54 497	54 462		
Total By Income Source	2000	(668)	27 622	22 815	23 121	19 320	19 147	20 292	671 500	803 150	753 380		
2022/23 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State													
Commercial	2200	(217)	2 640	1 779	3 102	1 572	1 348	1 743	28 729	40 597	36 495		
Households	2300	(338)	3 435	1 917	1 705	1 296	1 167	1 276	28 203	38 660	33 646		
Other	2400	(121)	21 540	19 100	18 363	16 428	16 614	17 252	560 120	669 296	628 777		
	2500	9	7	19	(49)	23	17	21	54 449	54 497	54 462		
Total By Customer Group	2600	(668)	27 622	22 815	23 121	19 320	19 147	20 292	671 500	803 150	753 380		

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Collection Rate:

The average collection rate stood at 43% at the end of March 2022

PAYMENTS VS BILLING AS AT 31 MARCH 2022				
MONTH	BILLING	MONTHS	RECEIPTS	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%
December 2021	27 978 175,56	January 2022	10 993 011,79	39,29%
January 2022	30 398 003,78	February 2022	15 703 090,94	51,66%
February 2022	26 092 698,30	March 2022	13 082 087,71	50,14%
	252 700 526,07		109 875 310,39	43%
TOTALS				
BILLING - JUNE 2021 - MARCH 2022		252 700 526,07		
RECEIPTS - JUNE 2021 - MARCH 2022		109 875 310,39		
DIFFERENCE		142 825 215,68	43%	
				0,00

The fluctuation in the collection rate is noted, collection rate was at an average of 43% at the end of the third quarter.

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

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ANALYSIS OF CASH & INVESTMENTS:

Investments by maturity Name of institution & investment ID R thousands	Market value at end of the month
<u>Municipality</u>	
FNB	51 879
NEDBANK	28 278
INVESTEC	91 101
TOTAL INVESTMENTS AND INTEREST	171 258

The table above reflects investments as at the end of the third quarter, at the various institutions. The total investments totalled R171 million.

Bank Balances				
The following reflects bank balances at 31 March 2022				
DESCRIPTION	DEC 2021	JAN 2022	FEB 2022	MAR 2022
FNB MAIN ACCO	20 719 612,73	12 097 709,34	12 472 508,32	44 662 136,10
FNB WATER ACC	0	0	0	0
	20 719 612,73	12 097 709,34	12 472 508,32	44 662 136,10
Total cash held	44 662 136,10			

At the end of March 2022 cash on hand was R44million

ANALYSIS OF GRANTS RECEIVED:

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

- MIG – R194 million
- FMG - R 1,9 million
- EPWP – R 3,5 million
- WSIG – R80 million

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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 52 and supporting documentation for March 2022 have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: Mpumelelo Mnguni

Municipal Manager of UThukela District Municipality (DC23)

Signature: _____

Date: 30 April 2022