

# UMUZIWABANTU MUNICIPALITY



## MID-YEAR PERFORMANCE REPORT

### 2022/2023 FINANCIAL YEAR

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## **1.EXECUTIVE SUMMARY**

The Midyear Assessment report is a tool which seeks to review the progress that is being made by Umuziwabantu Municipality in realizing the targets it had set itself at the beginning of the financial year. It clearly documents the achievements over the past six months of the financial year (01/07/2022 to 31/12/2023 and more fundamental, illustrates some of the challenges that confront the progress that has been accomplished by the municipality over this period. To provide a telling background to this report, this section provides a broad overview of the financial performance of Umuziwabantu Municipality

### **2. Purpose**

The purpose of the report is to account to the public for the 2022/2023 mid-year institutional performance of Umuziwabantu Municipality.

This report contains information which is based on the service delivery and budget implementation plan formulated for the financial year 2022/2023 and concentrates on both the financial and service delivery performance assessment. The report was compiled using first and second quarter.

To inform Council of the municipality's mid – year performance (up to December 2022) against the approved budget in compliance with Section 72 (1)(a) and 52 (d) of the MFMA and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009, by providing a statement on the implementation of the budget and financial state of affairs of the municipality to the Executive Mayor, as legislated

### **3. Strategic Objective**

The strategic objective of this report is to ensure good governance, financial viability, and optimal institutional transformation with capacity to execute its mandate

### **4. Background**

Section 72(1) of the MFMA and Section 28 of Government Gazette Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act of 2003 and Municipal Budget and Reporting Regulations” necessitates that specific financial particular be

reported on and in a prescribed format, hence this report to meet legislative compliance.

## **5. Challenges and Progress**

Section 71(1) a(iii) request the accounting officer to assess the performance of a municipality during the first half of the financial year, consideration the past year's annual report and progress on resolving problems identified in the annual report.

### **In terms of Section 72 (1, 2 and 3) of the MFMA**

1. The accounting officer of a municipality must by 25 January of each year –

(a) Assess the performance of the municipality during the first half of the financial year, considering:

(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 identified in the annual report; 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; and

(iv) The performance of every municipal entity under the sole or shared control of the municipality, considering reports in terms of section 88 from any such entities and

(b) Submit a report on such assessment to –

(i) The mayor of the municipality.

(ii) The National Treasury; and

2. The statement referred to in section 71 (1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.

3. The accounting officer must, as part of the review -

(a) Make recommendations as to whether an adjustments budget is necessary; and

(b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

**(i) Financial performance Assessment for the past six Months**

The Mid Year Performance Review is an assessment of the first six months of the financial year. It includes a financial review as well as well as a performance review in terms of the organizational scorecard for the 2022/2023.

<b>Description</b>	<b>Approved budget 2022-2023 '000</b>	<b>YTD Actual (December 2022) '000</b>	<b>Balance</b>	<b>YTD % Spent</b>
Total Operating Revenue	221 526	120 492	101 034	54%
Total Operating Expenditure	253 203	129 074	124 129	51%
Total Capital Budget	56 565	26 163	30 402	46%

## **ii)Total Operating Revenue**

The operating revenue budget that was approved by Council is R221 million and the actual revenue collected for the period ended 31 December 2022 is R120 million which is 54 per cent of the total revenue budget. Some revenue votes need to be adjusted accordingly.

Some revenue line items are still below 50% as at December 2022, which means there is a need to adjust ie rental facilities and equipment, interest on investment, traffic fines, other revenue, agency services line item etc.

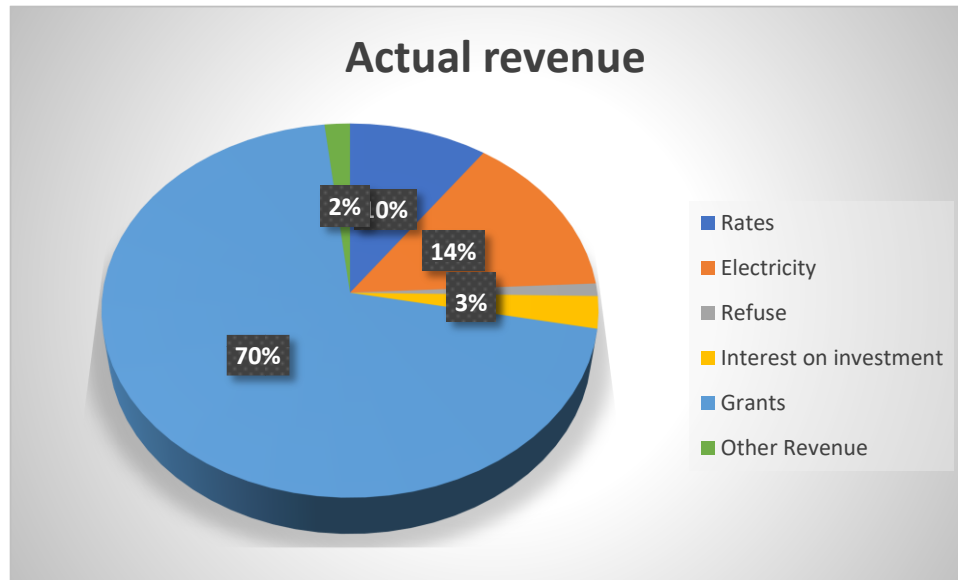
## MID YEAR ACTUAL REVUNUE COLLECTED

Decription	Approved budget 2022/2023 R"000	YTD Actual(December 2022)R"000	YTD %
Property rates	27,600	11,911	43%
Service charges-electricit	42,055	17,252	41%
Service charges-refuse	2,787	1,312	47%
Interest on investment	11,215	3,343	30%
Licence & permits	884	572	65%
Agency services	1,529	303	20%
Traffic fines	2,283	807	35%
Grants recognised	131,241	84,497	64%
Other revenue	1,932	495	26%
<b>TOTAL</b>	<b>221,526</b>	<b>120,492</b>	<b>54%</b>

### Revenue/Funding Source Analysis

This section seeks to analyze the variances between the budgeted and actual revenue as of 31 December 2022.

Chart 1 below looks at the revenue sources by major line-item categories service charges e.g. (Rates, Refuse Removal and Electricity Service Charges), government grant and subsidies (operational and capital), interest on investments and other revenue. A comparison of the actual Year to date revenue received as per their funding sources are elaborated in detail below.



The municipality budgeted for the income of R 27 million from property rates for the whole year and as at the half year mark R11million had been recorded which is 41%, below by 7% as at December 2022.



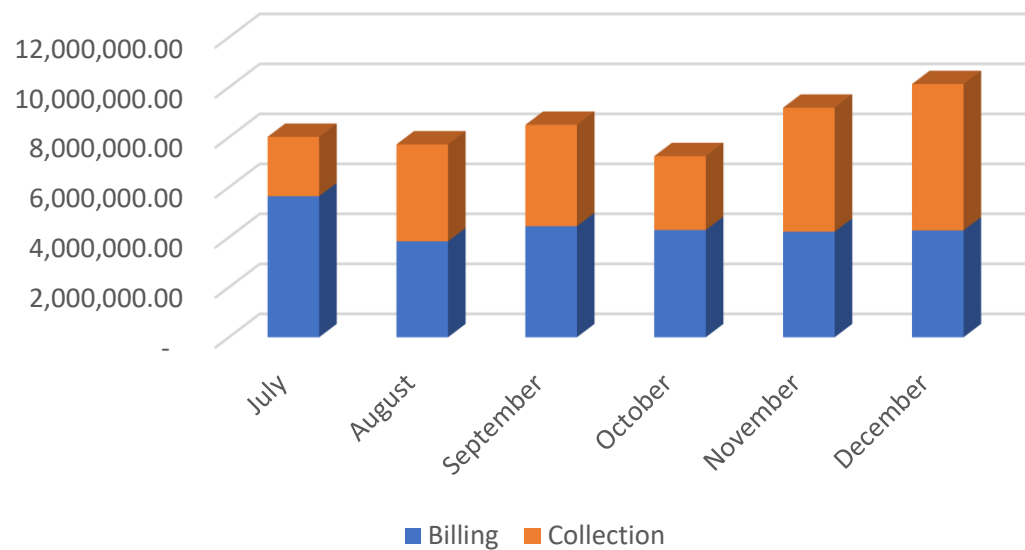
**Service Charges:**

<b>Descriptions</b>	<b>Annual Budget '000</b>	<b>YTD budget</b>	<b>YTD actual</b>	<b>YTD%</b>
Rates	27 600	13 800	11 911	-14%
Service charges(electricity)	42 055	21 028	21 028	-18%
Refuse removal	2 787	1 393	1 312	- 6%

The municipality recorded an under collection from all service charges such as electricity and the pro rata estimate for refuse removal. Given the seasonal nature of electricity demand, we expect an increase on its demand towards the end of the third quarter until the end of the financial year. Refuse removal the municipality seem to be doing better than other services, it is only below by 6%%.

Chart below looks at the billing vs. receipts statistics for the six months ending 31 December 2022. The chart clearly shows that, the revenue receipts have always been less than the amounts billed except for the month of November and December. The contribution for this increase is due to Debtors that are also paying for the prior months.

Billing vs collected(Rates&service charges)



### iii)Mid-Year expenditure for the past six months

<b>Description</b>	<b>Original budget 2022/2023 '000</b>	<b>YTD Actuals</b>	<b>Balance</b>	<b>%Spent</b>
Employee related cost	88,011	42,059	45,952	48%
Remuneration of councilor's	10,736	4,713	6,023	44%
Debt impairment	2 500		-	0%
Finance charges	140	1	139	1%
Repairs and maintenance	13,279	6,892	6,387	52%
Bulk purchases of electricity	42,849	24,936	17,913	58%
Depreciation	20,800	12,486	8,314	60%
Contracted services	42,849	21,830	21,019	51%
Inventory consumed	1,383	616	767	45%
Transfers and subsidies	255		255	0%
General expenses	32,854	15,541	17,313	47%
<b>TOTAL</b>	<b>253,156</b>	<b>129,074</b>	<b>124,082</b>	<b>51%</b>

### Operational Expenditure Analysis

The following section seeks to analyze the operational budget expenditures as of 31 December 2022. A high-level analysis is being presented. Some of the expenditures are below 50% and some are above 50% which means there is a need for Adjustment budget.

### **Bulk Purchases**

This expenditure refers to the amount of money spent on buying electricity and to be sold to the Harding residents. An amount of R42 million has been budgeted for and as at the end of the first half of the year, R17 million was spent which is 58%. There will be no adjustment since it is not above by huge percentage.

### **Repairs and Maintenance**

The total budget for the 2022-23 financial years for repairs and maintenance is R13 million. The expenditure as of December 2022 is R 6 million which is 46%. The municipality is still going to spend in this vote going forward. Some contributing factor is due to stringent internal control cost cutting, other programmes will be implemented in the third quarter as per the SDBIP.

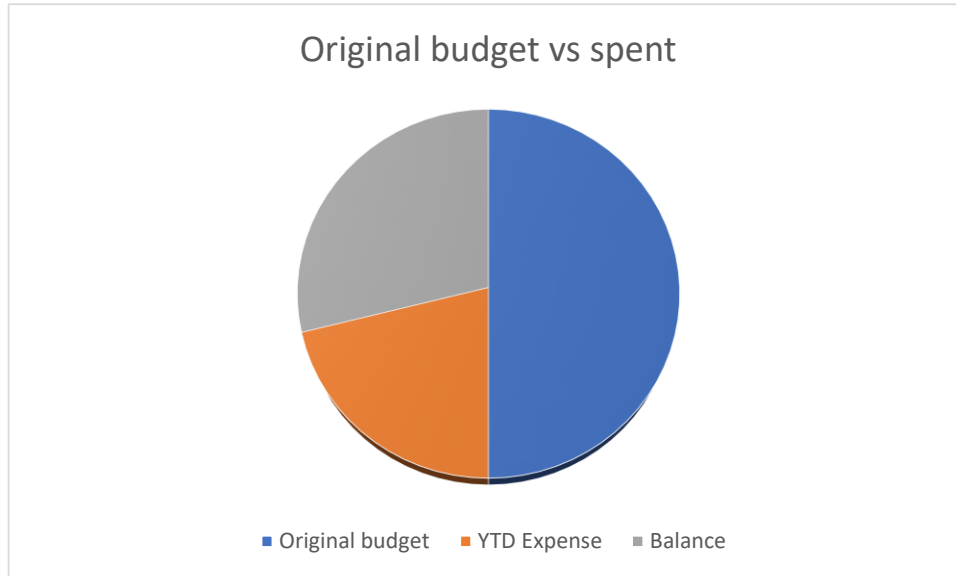
### **Depreciation**

The municipality had envisaged to spend R 20 million when they were doing projections for the current financial year. The actual expenditure incurred by June 2022 was R20.9 million (Certified by Auditor General). The expenditure for this line item is at R 12 million which is 60% spent as of December 2023.

### **Debt Impairment**

An amount of R 2.5 million was allocated under dept impairment, expenditure/journals for this vote is normally recorded annually due to the nature of this line item.

**Chart: OPERATION EXPENDITURE SUMMARY**



### **Total Operating Expenditure**

The approved budget operational expenditure (Including Depreciation) is R237 million, while the year-to-date expenditure is R129 million representing 54% of the approved budget. The unspent balance on the Operational budget amounts to R 108 million, some contributing factors for spending less in some of the votes include cost cutting measures and other votes were over budgeted in the original budget. The Municipality is expecting an increase in some votes/ programs in the third quarter and fourth quarter. Some projects will reflect an increase in its spending in the third and fourth quarter. However, there are some votes that needs to be adjusted accordingly as stated above.

The graph that follows further unpacks the operational expenditure budget per expenditure major budget category and minor budget category respectively.

#### iv)Salaries Wages and Allowances

**Table 4: Salaries Wages and Allowances**

DESCRIPTION	BUDGET '000	YTD Expenditure	BALANCE	%
SALARIES & WAGES	R 88 011	R42 059	45 952	48%
COUNCILLOR ALLOWANCES	R 10 736	R 4 713	6 023	44%
TOTAL	R 98 747	R 46 772	51 975	47%

The total annual budget for salaries and allowances (including councillor allowances) is R95m. As at the end of December 2022, R42million had been spent. This is 47% of the budgeted amount and it is 3% below an amount which had been projected.

The expenditure on Salaries Wages and Councillor Allowances has averaged 44% for a period of 6 months. The Councillor allowances are slightly below the projected figure and the budget balance will be more than sufficient to cater for the increases retrospectively as the draft Gazette is not yet published for the new upper limits.

### **v)Total Capital Budget**

The total capital budget which was approved is R56 million. As at the end of December 2022 expenditure on capital projects is R26 million which is 46% of the total capital expenditure spent.

### **Detailed Capital Budget against expenditure**

Project Name	Total Budget	Total Actual Expenditure	Percentage
Starford Access Road	R 999,996.00	R 85,069.04	8.51
Engele Community Hall	R 5,046,972.00	R 3,657,183.40	72.46
Gayiga to Nyawo Access Road ward 8	R 3,482,868.00	R 1,557,740.58	44.73
Harding Sportfield - Ward 3 - Internal	R 1,800,000.00	R 1,538,961.88	85.50
Harding Sportfield - Ward 3	R 4,798,584.00	R 4,641,078.01	96.72
Harding Cemetry - ward 3	R 4,000,008.00	R 3,854,482.70	96.36
Public Ablusion Facilities	R 99,996.00	R -	-
Machinery and Equipment: Mower	R 120,000.00	R -	-
Traffic Lights	R 600,000.00	R -	-
Circuit Bracker	R -	R 589,486.71	-
Machinery and Equipment: Grader	R 3,600,000.00	R 2,943,337.00	81.76
Machinery and Equipment: Portable R	R 99,996.00	R -	-
Machinery and Equipment: Generator	R 399,996.00	R -	-
Generator 100 KVA	R 999,996.00	R -	-
Machinery and Equipment: Lowbed Tr	R 3,500,004.00	R 119,189.23	3.41
Machinery and Equipment: Concrete B	R 150,000.00	R 120,800.00	80.53
Machinery and Equipment: Tipper Tru	R 999,996.00	R -	-
Machinery and Equipment: Colour Bin	R 50,004.00	R -	-
Animal Pound	R 300,000.00	R -	-
Jungle Gym Junior	R 150,000.00	R -	-
Mazakhele Community Hall	R 399,996.00	R 346,024.81	86.51
Fantini Access Road	R 399,996.00	R 369,518.13	92.38
Construction of Access Road C Ward 1	R 399,996.00	R -	-
Musgrave Street(Market stalls)	R 2,000,004.00	R 343,859.64	17.19
Corner Street	R 2,000,004.00	R -	-
Office Furniture and Equipment	R 300,000.00	R 53,551.00	17.85
Traffic Fine Software	R 200,004.00	R -	-
IT: Computer Software	R 1,449,996.00	R 579,299.00	39.95
IT: Upgrade Microsoft	R 50,004.00	R -	-
Computer Equipment	R 450,000.00	R 169,910.00	37.76
Computer Equipment : Access Control	R 300,000.00	R -	-
Cemetry Recording Computer System	R 549,996.00	R -	-
Photocopier Machine - Kwa Jali	R 99,996.00	R -	-
Finance: Computer Equipment: Intern	R 99,996.00	R -	-
Computer Equipment:Upgrade of Cloc	R 140,004.00	R -	-
Mhlwazini Access Bridge	R10,326,420.00	R 2,701,208.12	26.16
Municipal Offices(Retention)	R 3,000,000.00	R -	-
Transport Assets:Traffic Vehicle	R 249,996.00	R 217,387.83	86.96
Transport Assets:Mayors Vehicle	R 1,950,000.00	R 1,918,115.49	98.36
MM: Transport Assets:Vehicles	R 399,996.00	R 356,410.46	89.10
Planning: Transport Assets:Vehicles	R 399,996.00	R -	-
Elecricity: Transport Assets:Bakkie	R 200,004.00	R -	-
<b>TOTAL</b>	<b>R56,564,820.00</b>	<b>R 26,162,613.03</b>	<b>46.25</b>



As per the attached excel spreadsheet there is a need to adjust some of the capital projects.

#### vi) Conditional Grants Report

GRANT	GRANTS REGISTER AS AT DECEMBER 2022							BALANCE PER GL	%SPENT
	OPENING BALANCE	RESTATED BALANCE	AMOUNT RECEIVED	TOTAL RECEIVED	AMOUNT SPENT	JOURNAL TO BE POSTED	BALANCE		
Land Use Management Systems Grant	73,000.00	73,000.00	-	73,000.00	-	-	73,000.00	73,000.00	-
sports & recreation	24,080.00	24,080.00	-	24,080.00	-	-	24,080.00	24,080.00	-
EEDSM	157,234.28	157,234.28	-	157,234.28	-	0.00	157,234.28	157,234.28	-
Electrification Grant	421,650.85	421,650.85	6,500,000.00	6,921,650.85	2,634,286.79	3,000.00	4,287,364.06	4,284,364.06	38.06
Corridor	-	-	4,600,000.00	4,600,000.00	395,438.60	0.00	4,204,561.40	4,204,561.40	8.60
MIG	-	-	14,000,000.00	14,000,000.00	14,000,000.00	0.00	0.00	-	100.00
EPWP	-	-	688,000.00	688,000.00	552,708.18	-	135,291.82	135,291.82	80.34
FMG	-	-	1,850,000.00	1,850,000.00	797,462.96	-	1,052,537.04	1,052,537.04	43.11
Library grant	-	-	1,950,000.00	1,950,000.00	553,018.73	-	1,396,981.27	1,396,981.27	28.36
<b>TOTAL</b>	<b>675,965.13</b>	<b>675,965.13</b>	<b>29,588,000.00</b>	<b>30,263,965.13</b>	<b>18,932,915.25</b>	<b>3,000.01</b>	<b>11,331,049.88</b>	<b>11,328,049.87</b>	<b>62.56</b>

The municipality has to date received the Municipal Infrastructure Grant (MIG) Allocations equaling R14 million, however the total allocation for MIG is R 26 million ,expenditure as at December is R 14 million which is 53% spent .The balance of the grant to be received is R 24 763 000) which is expected to be received in March 2022.The municipality is still going to spend the unutilized grants and make sure that spending is in line with the business plan or memorandum of agreements .Other grants will indicate more spending during third quarter as per their procurement plan.

## **VII) Unconditional grants**

The municipality budgeted R110 million for equitable share however year to date received is at R79 million and the balance will be received in March 2022.

### **vii)Cash and Investments**

Primary Bank Account: As at the end of December 2022 the municipality had R 33 470 251.61 in the primary bank account. This account is held with FNB.

Investments: the municipality had total amount of investments as at the end of the December 2022 of R 93 million. All these investments are invested with Standard bank, INVESTEC, First National bank and Nedbank.

### **Interest on Investments**

The municipal budget for Interest on investment is R 11 million, year to date received is at R 3 million which represent 30% interest earned on investments.

The following information presents the short-term investments balances broken down per investment on 31 December 2022.

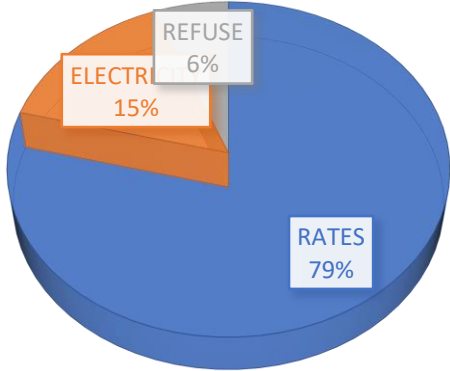
R"000 thousands	Opening balance	Interest realised	Withdrawal	Deposit	Closing Balance
<b>Investments</b>					
First National Bank	30,783	179			30,962
Standard bank	2,000	12	-	-	2,012
Nedbank	39,613	423	20,000	40,435	60,471
Investic	267	2	-	-	269
<b>Total Investments</b>	<b>72,663</b>	<b>616</b>	<b>20,000</b>	<b>40,435</b>	<b>93,714</b>

#### viii) DEBTORS AGE ANALYSIS

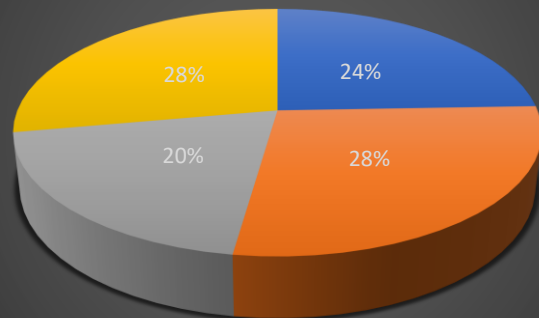
Debtors: The total debt owed to the municipality as at the end of December 2022 was R31 million illustrated as per the below schedule. The table presented below summarizes the Debtors Age Analysis as of 31 December 2022.

<b>AGE ANALYSIS FOR DECEMBER 2022</b>								
<b>TYPE_OF_SERVICE</b>	<b>202212 (Current)</b>	<b>202211 (30 Days)</b>	<b>202210 (60 Days)</b>	<b>202209 (90 Days)</b>	<b>202208 (120 Days)</b>	<b>202207 (150 Days)</b>	<b>202206 (180 Days)</b>	<b>Total</b>
RATES	- 1,517,554.08	1,047,068.80	774,564.46	782,049.32	748,535.89	1,639,678.37	20,429,329.87	23,903,672.63
ELECTRICITY	2,134,708.10	889,799.57	361,612.82	300,075.84	185,846.63	125,326.02	1,113,295.48	5,110,664.47
REFUSE	345,031.73	187,446.92	127,317.98	105,811.07	80,040.40	71,607.96	1,290,457.15	2,207,713.20
<b>TOTAL</b>	<b>962,185.75</b>	<b>2,124,315.29</b>	<b>1,263,495.26</b>	<b>1,187,936.23</b>	<b>1,014,422.92</b>	<b>1,836,612.35</b>	<b>22,833,082.50</b>	<b>31,222,050.30</b>
<b>ACCOUNT_TYPE</b>	<b>202212 (Current)</b>	<b>202211 (30 Days)</b>	<b>202210 (60 Days)</b>	<b>202209 (90 Days)</b>	<b>202208 (120 Days)</b>	<b>202207 (150 Days)</b>	<b>202206 (180 Days)</b>	<b>Total</b>
2401-RESIDENTIAL(HOUSEHOLD)	748,587.72	617,887.51	415,952.84	351,449.60	304,412.51	297,613.33	7,803,211.79	10,539,115.30
2500-AGRICULTURE	25,654.29	25,476.66	130.20	25,923.71	17,322.24	893,926.07	2,905,857.75	3,894,290.92
2301-COMMERCIAL	2,431,100.65	746,886.12	381,933.29	240,521.21	187,250.93	189,900.22	3,358,645.59	7,536,238.01
GOVERNMENT OTHER	- 2,243,156.91	734,065.00	465,478.93	570,041.71	505,437.24	455,172.73	8,765,367.37	9,252,406.07
<b>TOTAL</b>	<b>962,185.75</b>	<b>2,124,315.29</b>	<b>1,263,495.26</b>	<b>1,187,936.23</b>	<b>1,014,422.92</b>	<b>1,836,612.35</b>	<b>22,833,082.50</b>	<b>31,222,050.30</b>

### DEBTORS AGE ANALYSIS PER CATEGORY



### Age Analysis by category as at December 2022



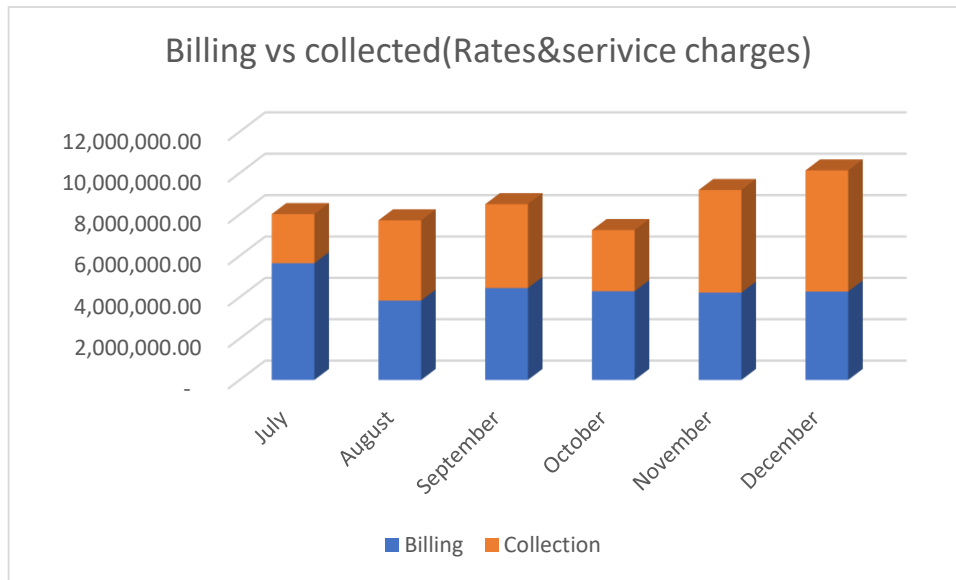
■ Government ■ Residential ■ Commercial ■ Agriculture

Debtors age analysis is sitting at 31 million as at December 2022, rates is the highest owed followed by electricity and refuse. Some consumers do not pay their accounts and they do not come forward to apply for indigent support. Residential and Agriculture debt also is at 28%, and

Government debt is at 24% Cogta tried to assist the municipality in collecting these outstanding funds, however there is little improvement thus far.

**July 2022-December 2022**

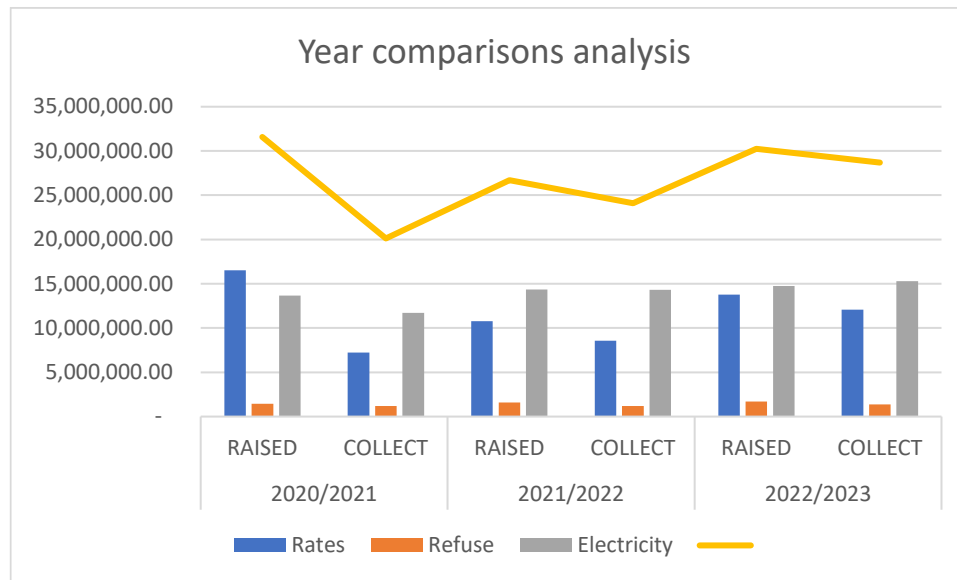
	<b>Billing</b>	<b>Collection</b>
July	5,642,709.00	2,373,770.00
August	3,836,894.00	3,878,900.00
September	4,443,583.00	4,052,711.00
October	4,288,567.00	2,956,678.00
November	4,222,882.00	4,959,899.00
December	4,273,763.00	5,855,335.00



The above chart analysis billing vs collected per month some months.

**PREVIOUS YEARS COMPARISON AS AT DECEMBER REPORT**

	2020/2021		2021/2022		2022/2023	
SERVICE	RAISED	COLLECT	RAISED	COLLECT	RAISED	COLLECT
Rates	16,503,562.00	7,221,906.00	10,776,301.00	8,562,031.00	13,766,672.28	12,053,636.58
Refuse	1,429,443.00	1,173,937.00	1,584,142.00	1,195,077.00	1,699,434.00	1,368,491.21
Electricity	13,648,444.00	11,720,496.00	14,347,958.00	14,320,187.00	14,762,824.84	15,281,937.24
	<b>31,581,449.00</b>	<b>20,116,339.00</b>	<b>26,708,401.00</b>	<b>24,077,295.00</b>	<b>30,228,931.12</b>	<b>28,704,065.03</b>
PERCENTAGE	63%		90%		95%	





#### **iv)CREDITORS AGE ANALYSIS**

Creditors: The total acknowledged debt owed by the municipality to its suppliers as at the end of December 2022 was R 59 000.00 and those invoices are within 30 days.

#### **iv) Cost coverage ratio**

The norm is 3 months however the municipality cost coverage ratio is sitting at 6 months which is a positive thing for the municipality, it means that the municipality can still operate for seven months without receiving any further grants.