

Finance Section 80 Committee: JANUARY 2022

Report of the Acting Director Finance

SECT 71 / 52 QUARTER 1: FINANCIAL REPORT ENDING 31 DECEMBER 2022

1. PURPOSE

The purpose of this report is to present a Section 71- M06 monthly with the required Section 52 – Quarter 2 financial report ending **DECEMBER 2022** for consideration and noting.

2. LEGISLATION

A) In terms of Section 71 of the Municipal Finance Management Act 56 of 2003.

(1). The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a) Actual revenue, per revenue source;
- (b) actual borrowings;
- (c) actual expenditure, per vote;
- (d) actual capital expenditure, per vote;
- (e) the amount of any allocations received;
- (f) actual expenditure on those allocations, excluding expenditure on –
 - (i) its share of the local government equitable share; and
 - (ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
- (g) When necessary, an explanation of-
 - (i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - (ii) any material variances from the service delivery and budget implementation plan; and
 - (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipalities approved budget.

(2) The statement must include –

- (a) a projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and
- (b) the prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87(10).

(3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the municipality's approved budget.

(4) The statement to the provincial treasury must be in the format of a signed document and in electronic format.

- (5) The accounting officer of a municipality which has received an allocation referred to in subsection (1) (e) during any particular month must, by no later than 10 working days after the end of that month, submit that part of the statement reflecting the particulars referred to in subsection (1) (e) and (f) to the national or provincial organ of state or municipality which transferred the allocation.
- B) In terms of the Municipal Finance Management (Act 56 of 2003) Section 52.

CHAPTER 7

RESPONSIBILITIES OF MAYORS

52. General Responsibilities.—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;
 - (i) 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
 - (ii) 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.

3. DISCUSSION

3.1 Executive summary: Outcome of the operational and capital budget ending DECEMBER 2022

Section 71 and Section 52 of the Municipal Finance Management Act deals with requirements for a monthly and quarterly budget and performance assessment report distinctively, of which the objective is finally to report on the financial status of the municipality.

The municipality's monthly budget statement of DECEMBER 2022 as well as the Second quarter results for 2022/2023 ending 31 DECEMBER 2022 is summarized in table C1 of the C schedule and is as follows:

3.2 Table C 1- Quarterly Budget statement summary- Quarter 1:

MP302 Msukaligwa - Table C1 Monthly Budget Statement Summary - M06 December - Quarter 2											
Description	2021/22	Budget Year 2022/23									
	Audited Outcome	Original Budget	Adjusted Budget	Quarter 2 Budget	October	November	December	Quarter 2 Total	Variance	% Variance	Full Year Forecast
R thousands											
Financial Performance											
Property rates	181 646	207 037	207 037	51 759	16 618	16 972	17 088	50 679	1 080	2%	207 037
Service charges	394 104	411 350	411 350	102 838	33 891	33 650	32 213	99 754	3 084	3%	411 350
Investment revenue	1 098	932	932	233	268	382	344	994	(761)	-77%	932
Transfers and subsidies	207 661	231 689	231 689	57 922	-	-	82 757	82 757	(24 835)	-43%	231 689
Other own revenue	122 068	59 637	59 637	14 909	3 735	3 774	3 797	11 306	3 604	24%	59 637
Total Revenue (excluding capital transfers and contributions)	906 577	910 645	910 645	227 661	54 513	54 777	136 199	245 489	(17 828)	-7%	910 645
Employee costs	248 969	276 107	276 107	69 027	22 326	22 250	22 244	66 820	2 207	3%	276 237
Remuneration of Councillors	15 489	18 513	18 513	4 628	1 091	958	1 096	3 145	1 483	47%	18 513
Depreciation & asset impairment	262 852	297 152	297 152	74 288	33 034	25 065	25 602	83 701	(9 413)	-11%	140 616
Finance charges	87 000	-	-	-	-	-	-	-	-	0%	-
Inventory consumed and bulk purchase	415 490	400 647	400 647	100 162	20 958	9 843	28 280	59 082	41 080	41%	400 512
Transfers and subsidies	-	-	-	-	-	-	-	-	-	0%	-
Other expenditure	253 902	289 480	289 480	72 370	8 635	11 052	14 857	34 544	37 826	52%	288 885
Total Expenditure	1 162 582	1 125 364	1 125 364	320 475	86 045	69 168	92 078	247 292	73 183	30%	1 124 764
Surplus/(Deficit)	(256 005)	(214 719)	(214 119)	(71 373)	(31 532)	(14 391)	44 121	(1 802)	(91 011)	-37%	(214 119)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	303 435	292 052	292 052	97 351	-	-	-	-	146 026	(146 026)	292 052
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	47 430	77 333	77 933	25 978	1 503	99 405	69 723	180 837	38 969	141 868	77 933
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	47 430	77 333	77 933	25 978	1 503	99 405	69 723	180 837	38 969	141 868	77 933
Capital expenditure & funds sources											
Capital expenditure	5 383	297 835	581 565	193 855	37 688	30 089	24 819	119 771	249 001	(129 230)	581 565
Capital transfers recognised	2 147	292 052	568 810	189 603	34 425	29 967	24 575	115 837	242 828	(126 991)	568 810
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	3 236	5 783	12 755	4 252	3 263	122	244	3 934	6 173	(2 239)	12 755
Total sources of capital funds	5 383	297 835	581 565	193 855	37 688	30 089	24 819	119 771	249 001	(129 230)	581 565
Financial position											
Total current assets	667 132	807 352	807 352	269 117	-	-	-	912 510	-	-	807 352
Total non current assets	2 717 826	2 781 046	3 064 776	1 021 592	-	-	-	2 837 597	-	-	3 064 776
Total current liabilities	1 985 757	1 674 180	1 674 180	558 060	-	-	-	2 170 068	-	-	1 674 180
Total non current liabilities	89 077	82 974	82 974	27 658	-	-	-	89 077	-	-	82 974
Community wealth/Equity	1 532 741	1 850 686	1 850 686	616 895	-	-	-	1 501 717	-	-	1 850 686
Cash flows											
Net cash from (used) operating	927 066	299 815	299 815	99 938	81 863	95 125	94 963	80 337	149 907	69 571	299 815
Net cash from (used) investing	(4 984)	(297 835)	(297 835)	(99 278)	(37 657)	(29 994)	(24 819)	(119 549)	(148 918)	(29 369)	(297 835)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the end of the year	928 257	3 000	3 000	1 000	-	-	-	85 230	2 010	(83 220)	126 421
Debtors & creditors analysis											
	0-30 Days	31-60 Days	61-90 Days		91-120 Days	91-120 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age Analysis											
Total By Income Source	78 510	23 630	22 957	7 652	17 637	20 902	21 284	20 408	16 810	91 074	1 040 395
Creditors Age Analysis											
Total Creditors	-	-	-	-	-	220	-	-	-	-	-

- The C schedule for the Second quarter shows a deficit of R 31,532 million for October 2022, a deficit of R14,391 million for November 2022 and a surplus of R44, 121 million for December 2022. This is due to the fluctuation in revenue (billing and Collection) and the spending on capital and operational projects for the Second quarter.

3.2.1 Operational revenue

- In Operating revenue represents -7% of the budget for the 2nd Quarter.
- Property rates and services have been fluctuating during the quarter.
- Operating revenue, services and property rates is R 17 million more than budgeted amount. This is due to the second trench of the Eguitable share that was received in December and Conditional grants that were received during the quarter.
- The ever-increasing illegal connections and tampering need to be effectively addressed and an investigation on households that are not buying electricity reported in the last two financial years were need to be attended to and strict measures should be taken to address this issue. The revenue enhancement committee should take this matter into serious consideration.
- As part of enhancing revenue, all municipal facilities that are occupied by departments and other businesses that are not paying rental for occupying the spaces and rates and taxes must be summoned by the municipality as a revenue enhancement remedy to assist in generating revenue.
- The average collection rate is 61% for Quarter 2 (October - 57%, November - 64% and December -63%) budget was based on 70% collection.

3.2.2 Operational expenditure:

- Operational expenditure is showing an underspending of R73 million, this includes depretiation and impairment.
- The year to date non-cash budget amount for debt impnairment is 37% of the overall collection and billing.
- It can be noted that operational expenditure are controlled through procurement processes verified for budget and cash flow availability before any procurement takes place.

3.2.3 Net deficit/Surplus

- The average deficit for the quarter amounts to R1,802 million as per table C1 above.
- The principle that we do not spend what we do have must continue to be implemented and the cost containment Policy must be adhered to.
- As mentioned in the executive summary it is now demanded by national treasury that the deficit must not exceed the amount of depreciation provided.
- Trading services must be ring-fenced when budgeted for and must reflect surpluses (Electricity , water and waste water management) .

3.2.4 Capital budget

The capital budget amounts to R 297,835 million, of which an amount of R 11 million is expected to be funded internally.

3.2.5 Debtors

The total outstanding debtors, as at 31 December 2022, is reported as R 1, 040 billion. In the first quarter the debtors amounted to R 1, 007 billion. An increase of 3% or R 33 million.

MP302 Msukaligwa - Supporting Table SC3 Monthly Budget Statement - Aged Debtors- 30 NOVEMBER 2022			
Description			
R thousands	Oct-22	Nov-22	Dec-22
Debtors Age Analysis By Income Source			
Trade and Other Receivables from Exchange Transactions - Water	189 614	190 122	192 230
Trade and Other Receivables from Exchange Transactions - Electricity	134 134	134 222	137 142
Receivables from Non-exchange Transactions - Property Rates	159 924	159 230	164 181
Receivables from Exchange Transactions - Waste Water Management	119 718	121 388	124 241
Receivables from Exchange Transactions - Waste Management	114 259	116 207	118 879
Receivables from Exchange Transactions - Property Rental Debtors	–	–	–
Interest on Arrear Debtor Accounts	240 236	242 372	244 923
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–
Other	58 853	59 265	58 799
Total By Income Source	1 016 738	1 022 806	1 040 395
Debtors Age Analysis By Customer Group			
Organs of State	39 163	50 740	51 893
Commercial	159 138	204 765	207 197
Households	818 436	730 791	744 032
Other	–	36 510	37 272
Total By Customer Group	1 016 738	1 022 806	1 040 395

3.2.6 Creditors

The total outstanding creditors as of 31 DECEMBER 2022 amounts to R 1,411 billion (Quarter 1-R 1,424 million).

3.2.7 Cash flow

The Municipal cashflow is very limited in sense that we need to prioritize employee related costs whilst service delivery related are impacted and other creditors are compromised, this is indicate lack of coordinated approach on internal control in relation to all revenue streams. Thus the project on credit control and clamping of illegal collection should be continued until the community understand their role in terms of the Constitution.

The available cash flow at end of December 2022 amounted to R 88 683 489.64

BANK ACCOUNTS BALANCES 31 DECEMBER 2022					
Account number	Bank account type	Oct-22	Nov-22	Dec-22	Movement
		R	R	R	R
62822833267	Primary account	5 890 508.12	2 609 260.36	2 353 346.91	- 255 913.45
62858041272	Call Account	68 769 665.64	125 481 858.36	84 000 000.00	- 41 481 858.36
62837049031	Licensing Bank Account	198 033.04	292 967.59	2 330 142.73	2 037 175.14
TOTAL		74 858 206.80	128 384 086.31	88 683 489.64	-39 700 596.67

Purpose of bank accounts:

- The primary bank account, established in terms of section 8 of the MFMA (Act 566 of 2003) is used to pay operational expenses and service creditors that originated from prior -and current year(s).
- The License department bank account was created in July 2021 to ensure that all funds collected on behalf of the provincial government (Department of Community, Safety and Security Liaison) be paid monthly to the said department.
- The Call account is used to cover unspent capital and operational conditional grants.

4. **Table C2 : Quarter 1: Perdioid 1 OCTOBER 2022 – 31 DECEMBER 2022 : Financial performance classified by function**

The under mentioned table report on the votes within the municipality based on MFMA circular 12 –Function classification

MP302 Msukaligwa - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - Quarter 2													
Description	Ref	2021/22	Budget Year 2022/23										
		Audited Outcome	Original Budget	Adjusted Budget	October	November	December	Quarter 2 Total	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1												
Revenue - Functional													
Governance and administration		502 049	479 945	479 945	17 706	106 964	101 033	225 702	278 887	239 972	38 914	16%	479 945
Executive and council		241 446	259 023	259 023	–	88 732	82 580	171 312	171 312	129 511	41 801	32%	259 023
Finance and administration		260 602	220 922	220 922	17 706	18 232	18 453	54 390	107 575	110 461	(2 886)	-3%	220 922
Internal audit		–	–	–	–	–	–	–	–	–	–	–	–
Community and public safety		10 465	11 139	11 139	458	417	406	1 281	3 500	5 569	(2 069)	-37%	11 139
Community and social services		907	1 017	1 017	81	78	55	215	452	508	(56)	-11%	1 017
Sport and recreation		160	164	164	13	14	15	42	85	82	3	3%	164
Public safety		6 418	7 032	7 032	93	(13)	129	209	1 390	3 516	(2 126)	-60%	7 032
Housing		2 980	2 627	2 627	269	337	207	814	1 573	1 314	260	20%	2 627
Health		–	299	299	–	–	–	–	–	149	(149)	-100%	299
Economic and environmental services		16 750	17 518	17 518	162	209	268	639	1 109	8 759	(7 651)	-87%	17 518
Planning and development		5 094	5 422	5 422	162	209	268	639	1 109	2 711	(1 602)	-59%	5 422
Road transport		11 656	12 096	12 096	–	–	–	–	–	6 048	(6 048)	-100%	12 096
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–
Trading services		680 602	693 974	693 974	36 175	35 907	34 480	106 562	225 717	346 987	(121 270)	-35%	693 974
Energy sources		256 356	260 019	260 019	19 143	19 696	18 306	57 146	123 082	130 009	(6 928)	-5%	260 019
Water management		325 434	309 687	309 687	7 109	6 404	6 330	19 844	42 106	154 844	(112 738)	-73%	309 687
Waste water management		53 758	65 813	65 813	5 321	5 250	5 283	15 854	32 195	32 907	(712)	-2%	65 813
Waste management		45 055	58 454	58 454	4 602	4 556	4 561	13 719	28 335	29 227	(893)	-3%	58 454
Other	4	145	121	121	12	13	13	38	74	61	13	21%	121
Total Revenue - Functional	2	1 210 012	1 202 697	1 202 697	54 513	143 509	136 199	334 221	509 286	601 348	(92 063)	-15%	1 202 697
Expenditure - Functional													
Governance and administration		271 066	213 196	212 604	15 995	9 724	16 252	41 970	75 901	106 298	(30 397)	-29%	212 604
Executive and council		57 996	48 197	48 312	8 399	1 389	7 220	17 007	26 193	24 149	2 044	8%	48 312
Finance and administration		213 069	165 000	164 292	7 596	8 335	9 032	24 963	49 708	82 149	(32 441)	-39%	164 292
Internal audit		–	–	–	–	–	–	–	–	–	–	–	–
Community and public safety		119 583	121 569	121 561	5 084	7 861	8 762	21 707	44 549	60 782	(16 233)	-27%	121 561
Community and social services		61 449	63 620	63 620	2 303	4 620	5 844	12 766	26 628	31 810	(5 182)	-16%	63 620
Sport and recreation		28 510	19 684	19 684	845	1 015	835	2 695	5 641	9 842	(4 201)	-43%	19 684
Public safety		25 220	32 824	32 824	1 648	1 932	1 769	5 349	10 175	16 412	(6 237)	-38%	32 824
Housing		3 917	5 142	5 142	288	295	314	897	2 105	2 571	(466)	-18%	5 142
Health		486	299	291	–	–	–	–	–	146	(146)	-100%	291
Economic and environmental services		94 358	100 992	100 992	2 924	6 335	3 397	12 655	21 315	50 496	(29 181)	-58%	100 992
Planning and development		14 996	15 606	15 606	1 205	1 284	1 454	3 943	7 250	7 803	(553)	-7%	15 606
Road transport		79 362	85 386	85 386	1 718	5 051	1 942	8 712	14 065	42 693	(28 629)	-67%	85 386
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–
Trading services		658 383	689 503	689 503	29 002	20 176	38 064	87 242	186 653	344 752	(158 099)	-46%	689 503
Energy sources		371 705	433 182	433 182	21 836	10 565	31 975	64 376	146 866	216 591	(69 725)	-32%	433 182
Water management		161 467	144 544	144 544	3 399	4 124	3 035	10 557	17 369	72 272	(54 903)	-76%	144 544
Waste water management		61 568	61 092	61 092	1 641	1 728	1 191	4 560	8 512	30 546	(22 034)	-72%	61 092
Waste management		63 643	50 685	50 685	2 126	3 759	1 863	7 748	13 906	25 342	(11 437)	-45%	50 685
Other		101	105	105	6	8	2	16	31	52	(21)	-40%	105
Total Expenditure - Functional	3	1 143 490	1 125 364	1 124 764	53 010	44 104	66 476	163 591	328 449	562 380	(233 930)	-42%	1 124 764
Surplus/ (Deficit) for the year		66 522	77 333	77 933	1 503	99 405	69 723	170 631	180 837	38 969	141 868	364%	77 933

4.1 Trading services : Quarter 2

MP302 Msukaligwa - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - TRADING SERVICES - Quarter 2													
Description	Ref	2021/22	Budget Year 2022/23										
		Audited Outcome	Original Budget	Adjusted Budget	October	November	December	Quarter 2 Total	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1												
Revenue - Functional													
<i>Trading services</i>		680 602	693 974	693 974	36 175	35 907	34 480	106 562	225 717	346 987	(121 270)	-35%	693 974
Energy sources		256 356	260 019	260 019	19 143	19 696	18 306	57 146	123 082	130 009	(6 928)	-5%	260 019
Water management		325 434	309 687	309 687	7 109	6 404	6 330	19 844	42 106	154 844	(112 738)	-73%	309 687
Waste water management		53 758	65 813	65 813	5 321	5 250	5 283	15 854	32 195	32 907	(712)	-2%	65 813
Waste management		45 055	58 454	58 454	4 602	4 556	4 561	13 719	28 335	29 227	(893)	-3%	58 454
Total Revenue - Functional	2	680 602	693 974	693 974	36 175	35 907	34 480	106 562	225 717	346 987	(121 270)	(0)	693 974
Expenditure - Functional													
<i>Trading services</i>		658 383	689 503	689 503	29 002	20 176	38 064	87 242	186 653	344 752	(158 099)	-46%	689 503
Energy sources		371 705	433 182	433 182	21 836	10 565	31 975	64 376	146 866	216 591	(69 725)	-32%	433 182
Water management		161 467	144 544	144 544	3 399	4 124	3 035	10 557	17 369	72 272	(54 903)	-76%	144 544
Waste water management		61 568	61 092	61 092	1 641	1 728	1 191	4 560	8 512	30 546	(22 034)	-72%	61 092
Waste management		63 643	50 685	50 685	2 126	3 759	1 863	7 748	13 906	25 342	(11 437)	-45%	50 685
Total Expenditure - Functional	3	658 383	689 503	689 503	29 002	20 176	38 064	87 242	186 653	344 752	(158 099)	0%	689 503
Surplus/ (Deficit) for the year		22 219	4 471	4 471	7 173	15 731	(3 584)	19 320	39 064	2 235	36 829	0%	4 471

- Above there is a number of other expenses reported for the quarter. This is done to test if trading services are generating a surplus or deficit, however the outcome is not conclusive.
- The matter of generating deficits within a budget caused by technical and non-technical distribution losses are not acceptable and the relevant departments must focus intensely to reduce the losses.
- The municipality is carrying the cost of the community services within its creditors, increasing wasteful and fruitless expenditure by means of interest rates classified as finance charges.
- Unnecessary interest rates and distribution losses add on to the deteriorating the state of the municipality's cash resources to such an extent that it can lead to bankruptcy and that the municipality will not be able to pay the staff salaries and operational costs as well as major creditors Eskom and DWS accounts.

4.2 UNAUTHORISED EXPENDITURE AS AT 30 SEPTEMBER 2022

Based on the expenditure regarding the original budget, as adjusted and corrected the following unauthorized expenditure per municipal vote is reported:

MP302 Msukaligwa - Table C3 Monthly Budget Statement -Unauthorized Expenditure - Quarter 2												
Vote Description	Ref	2021/22	Budget Year 2022/23									
		Audited Outcome	Original Budget	Adjusted Budget	Quarter 2 Budget	Oct-22	Nov-22	Dec-22	Quarter 2 Actual	Variance	% variance	Comment
R thousands												
Expenditure by Vote	1											
Vote 01 - Executive & Council		55 116	60 565	60 666	20 222	8 921	997	6 479	16 397	3 825	19%	Saving
Vote 02 - Finance & Administration		208 583	170 889	170 196	56 732	6 710	8 354	9 358	24 422	32 310	57%	Saving
Vote 03 -		-	-	-	-	-	-	-	-	-	0%	
Vote 04 - Sport And Recreation		20 440	11 487	11 487	3 829	239	266	260	765	3 064	80%	Saving
Vote 05 - Public Safety		25 110	32 561	32 561	10 854	1 642	1 925	1 763	5 330	5 524	51%	Saving
Vote 06 - Housing		-	-	-	-	-	-	-	-	-	0%	
Vote 07 - Health		-	-	-	-	-	-	-	-	-	0%	
Vote 08 - Planning And Development		10 372	15 734	15 734	5 245	835	898	1 092	2 825	2 419	46%	Saving
Vote 09 - Community & Social Services		67 762	68 500	68 492	22 831	2 651	5 163	6 313	14 127	8 704	38%	Saving
Vote 10 - Electricity		395 021	424 769	424 769	141 590	22 272	10 930	32 343	65 545	76 045	54%	Saving
Vote 11 - Water Management		161 975	139 092	139 092	46 364	3 305	4 058	2 980	10 343	36 021	78%	Saving
Vote 12 - Waste Water Management		61 457	57 493	57 493	19 164	1 632	1 718	1 184	4 533	14 631	76%	Saving
Vote 13 - Waste Management		63 642	46 601	46 601	15 534	2 126	3 759	1 863	7 748	7 785	50%	Saving
Vote 14 - Road Transport		82 627	86 203	86 203	28 734	1 958	5 203	2 004	9 166	19 569	68%	Saving
Vote 15 - Other		10 477	11 471	11 471	3 824	719	833	838	2 391	1 433	37%	Saving
Total Expenditure by Vote	2	1 162 582	1 125 364	1 124 764	374 921	53 010	44 104	66 476	163 591	211 331	56%	Saving

- The table C3 above shows that some departments(votes) have been spending well within their budgets as at 31 December 2022, this is mainly due to the reduced spending and controlled procurements whereby essential services were prioritised.

4.3 STATEMENT OF PERFORMANCE : OPERATIONAL REVENUE AND EXPENDITURE

See table C4: Detail of statement of performance ending 30 SEPTEMBER 2022 , below:

4.3.1 REVENUE VARIANCES EXPLANATION

Revenue as reflected in the table below is -7% of the projected budget for the period from 1 October 2022 – 31 December 2022

MP302 Msukaligwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Quarter 2											
Description	2021/22	Budget Year 2022/23									
	Audited Outcome	Original Budget	Adjusted Budget	Quarterly Budget	Oct-22	Nov-22	Dec-22	Quarter 2 total	Variance	% Variance	Full Year Forecast
R thousands											
Revenue By Source											
Property rates	181 646	207 037	207 037	51 759	16 618	16 972	17 088	50 679	1 080	2%	207 037
Service charges - electricity revenue	240 824	246 323	246 323	61 581	18 549	19 160	17 792	55 501	6 079	10%	246 323
Service charges - water revenue	64 326	67 192	67 192	16 798	6 379	5 663	5 575	17 617	(819)	-5%	67 192
Service charges - sanitation revenue	48 774	52 787	52 787	13 197	4 829	4 748	4 773	14 350	(1 153)	-9%	52 787
Service charges - refuse revenue	40 181	45 048	45 048	11 262	4 135	4 079	4 072	12 286	(1 024)	-9%	45 048
Rental of facilities and equipment	2 720	2 700	2 700	675	248	243	223	714	(39)	-6%	2 700
Interest earned - external investments	1 098	932	932	233	268	382	344	994	(761)	-77%	932
Interest earned - outstanding debtors	29 709	31 001	31 001	7 750	2 933	3 000	3 031	8 964	(1 213)	-16%	31 001
Fines, penalties and forfeits	4 771	5 177	5 177	1 294	14	22	8	43	1 251	97%	5 177
Licences and permits	3 666	3 636	3 636	909	2	-	-	2	907	100%	3 636
Agency services	8 001	8 490	8 490	2 123	-	-	-	-	2 123	100%	8 490
Transfers and subsidies	207 661	231 689	231 689	57 922	-	-	82 757	82 757	(24 835)	-43%	231 689
Other revenue	6 113	8 633	8 633	2 158	506	414	535	1 456	702	33%	8 633
Gains	67 088	-	-	-	32	95	-	127	(127)	#DIV/0!	-
Total Revenue (excluding capital transfers and contributions)	906 577	910 645	910 645	227 661	54 513	54 777	136 199	245 489	(17 828)	-7%	910 645

- **Property Rates**

- Property rates charged have been increasing gradually in the second quarter whereby it amounted to R16,618 million in October 2022, then it increased to R16,972 million in November and increased to R17,088 million in December 2022. The table above also shows that property rates for the quarter are less than the projected budget with R1,080 million or 2%.

- **Electricity**

- Income for electricity for the quarter ending 31 December 2022 amounts to R 55,501 million which consists of prepaid and conventional charges from October 2022 – December 2022.

- This is R 6,079 million less than the projected budget for the quarter.

Summary of electricity sales for Quarter 1 of 2022/2023

Description	Quarterly Budget - Q2	Actual billed or received Q2	Difference	Variance based on pro rata budget
	R	R	R	%
Conventional	43 106 508.38	38 851 031.25	4 255 477.13	10%
Prepaid sales	18 474 217.88	16 650 441.96	1 823 775.91	10%
Total	61 580 726.25	55 501 473.21	6 079 253.04	10%

- **Prepaid Electricity**

- Prepaid sales revenue has been increasing in October 2022, the sales were R5, 564 million which increased to R 5, 747 million in November 2022 and increased in December 2022 whereby they amounted to R 5, 337 million. Total received from sale of prepaid electricity for quarter 2 amounts to R16, 650 million
- Council should also note that a revenue enhancement project was implemented by the Finance department in cooperation with the Technical department to detect and reduce the risks associated with illegal connections which has also contributes to revenue loss.

- **Conventional**

- In Quarter 1, revenue generated from conventional electricity has been fluctuating. In October 2022, the sales were R12 984 million which increased to R 13, 411 million in November 2022 and then decreased in December 2022 to R 12, 454 million. The total amount billed for the quarter amounts to R 38, 851 million.
- Conventional meters billed because of estimates/average readings patterns, in some cases ongoing interim readings seem to be problematic. The matter is currently receiving the utmost attention to report on credible billing data.
- An Increase in electricity sales and cash flow and a reduction in distribution losses will improve revenue when challenges such as tampering and illegal connections are dealt with as well as damaged meters that can be identified and corrected regularly.

- **Water Sales**

- Over the months, water revenue has been decreasing in the second quarter. In October 2022 it amounted to R6, 379 million, then decreased to R5, 663 million in November 2022 and decreased again to R5, 575 million in December 2022. Funding needs to set aside to replace water meters and installation of bulk meters

- **Waste Water management (Sewerage)**

- Wastewater Management shows a gradual decrease during the quarter for October 2022 amounted to R 4, 829 million, in November 2022 it decreased to R 4,748 million and then decreased again in December 2022 to R 4, 773 million.

- **Waste management (Refuse)**

- Collection from waste management has also been slightly decreasing October 2022 amounted to R4,135 million, November 2022 amounted to R4,079 million and December 2022 amounted to R4,072 million.

- **Rental Of Facilities**

- Rental of facilities income is R39 thousand more than the projection for the quarter. However, this could be improved by ensuring all properties leased has contracts, schedule for ad-hoc rentals such as halls, cemeteries, advertising, building plans and collection of traffic fines.

- **Fines, Penalties and Forfeits**

- Fines, penalties and forfeits income is not increasing. The collection is less than the projection by 97%. The municipality must put measures in place to collect fines that are issued.

4.3.2 **OPERATING EXPENDITURE**

Operating expenditure has increased in the first quarter, with overspending of R73 million more than budgeted projection. Spending for October 2022 amounted to R 86 million, and R 69 million in November 2022 then R 92 million in December 2022.

MP302 Msukaligwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Quarter 2											
Description	2021/22	Budget Year 2022/23									
	Audited Outcome	Original Budget	Adjusted Budget	Quarterly Budget	Oct-22	Nov-22	Dec-22	Quarter 2 total	Variance	% Variance	Full Year Forecast
R thousands											
Expenditure By Type											
Employee related costs	250 666	276 107	276 107	69 027	22 326	22 250	22 244	66 820	2 207	3%	276 237
Remuneration of councillors	13 792	18 513	18 513	4 628	1 091	958	1 096	3 145	1 483	32%	18 513
Debt impairment	121 120	156 536	156 536	39 134	21 317	13 347	13 884	48 547	(9 413)	-24%	156 536
Depreciation & asset impairment	141 732	140 616	140 616	35 154	11 718	11 718	11 718	35 154	-	0%	140 616
Bulk purchases - electricity	304 353	319 126	319 126	79 781	19 577	5 931	26 893	52 401	27 380	34%	319 126
Inventory consumed	93 946	81 522	81 522	20 380	1 381	3 912	1 387	6 680	13 700	67%	81 387
Contracted services	54 762	75 718	75 718	18 929	1 239	4 345	8 859	14 443	4 486	24%	75 078
Other expenditure	41 752	57 226	57 226	53 441	7 397	6 707	5 998	20 101	33 340	62%	57 271
Losses	34 367	-	-	-	-	-	-	-	-	0%	-
Total Expenditure	1 056 490	1 125 364	1 125 364	320 475	86 045	69 168	92 078	247 292	73 183	30%	1 124 764

- **Employee Related Costs**

- Employee costs are 3% less than the budget projection for the quarter. Overtime plays an important role in the increased spending in employee related costs. This is a serious concern that management has to attend to in reducing the costs incurred by the municipality especially on overtime.
- A detailed summary regarding overtime spending is included below.
- Spending for the period 1 July 2022 – 31 DECEMBER 2022 is **R 11 million** which is 86% of the estimated budget for the 2nd quarter. As reflected in the table below. As reflected in the table below the budgeted projection for the year 2022/23 for overtime is almost depleted.

OVERTIME REPORT: 1 JULY 2022- 31 DECEMBER 2022								
Section	Votenummer	Budget	Year to date Budget	YTD Movement 2022	Unspend Bud	Percentage spent year to date	Comments	
		R		R	R	%		
Technical services								
Public works	31022110360PRMRCZZWM	444 147	222 073.50	155 813.32	66 260.18	30%		
Technical dep	31032110360PRMRCZZWM	-	-	3 848.46	- 3 848.46	100%		
Sewerage	31122110360WWMRCZZWM	1 825 490	912 745.00	1 776 792.98	- 864 047.98	-95%		
Sewerage	31132110360WWMRCZZWM	347 200	173 600.00	275 713.73	- 102 113.73	-59%		
Water	31222110360WTMRCZZWM	1 641 990	820 995.00	1 602 638.38	- 781 643.38	-95%		
Water	31232110360WTMRCZZWM	993 370	496 685.00	907 308.78	- 410 623.78	-83%		
Workshop	31062110360PRMRCZZWM	276 948	138 474.00	262 313.51	- 123 839.51	-89%		
Electricity	32012110360ELMRCZZWM	2 860 900	1 430 450.00	2 875 816.94	- 1 445 366.94	-101%		
	Sub Total	8 390 045	4 195 023	7 860 246	-3 665 224	-87%	Overspending	
Community services								
Fire	33022110360PRMRCZZWM	193 500	96 750.00	88 291.73	8 458.27	9%		
Disaster	33032110360PRMRCZZWM	108 030	54 015.00	83 984.60	- 29 969.60	-55%		
Traffic	33052110360PRMRCZZWM	165 900	82 950.00	83 626.25	- 676.25	-1%		
Cemetery	34022110360PRMRCZZWM	324 760	162 380.00	289 587.23	- 127 207.23	-78%		
Parks and Grounds	34042110360PRMRCZZWM	316 440	158 220.00	229 815.37	- 71 595.37	-45%		
Sports and Recreation	34072110360PRMRCZZWM	30 600	15 300.00	38 898.74	- 23 598.74	-154%	Overspending	
Sports field general	34082110360PRMRCZZWM	48 270	24 135.00	46 547.42	- 22 412.42	-93%		
Golf Course	34092110360PRMRCZZWM	9 400	4 700.00	8 343.72	- 3 643.72	-78%		
Waste mangement	34102110360WSMRCZZWM	1 911 200	955 600.00	2 083 912.63	- 1 128 312.63	-118%		
	Sub Total	3 108 100	1 554 050	2 953 008	- 1 398 957.69	-90%	Overspending	
Corporate services								
Civic centre	35022110360PRMRCZZHO	262 350	131 175.00	373 440.32	- 242 265.32	-185%	Overspending	
Administration	35032110360PRMRCZZHO	49 520	24 760.00	3 221.13	21 538.87	87%		
	Sub Total	311 870	155 935	376 661	-220 726	-142%	Overspending	
Municipal manager								
	36012110360PRMRCZZHO	7 170	3 585.00	10 739.43	- 7 154.43	-200%		
	36062110360EPMRCZZHO	14 700	7 350.00	3 379.20	3 970.80			
CALL centre	36072110360PRMRCZZHO	61 910	30 955.00	52 107.21	- 21 152.21	-68%		
	Sub Total	83 780	65 259	66 226	- 24 335.84	-37%	Overspending	
Finance								
BTO	37042110360PRMRCZZHO	116 330.00	58 165.00	110 934.16	- 52 769.16	-91%		
	Sub Total	116 330	58 165	110 934	- 52 769.16	-91%	Overspending	
	Totals	12 010 125	6 028 432	11 367 075	-5 362 013	-89%	Overspending to date	
	Overtime overspent/ Saving on budget for period 1 July - 31 December 2022					- 5 362 012.74		Overspending to date

- **Bulk Electricity – Eskom (Annexure A)**

- The municipality was mandated to perform the special adjustment budget in order to rectify the unfunded budget and as part of the recommendations by the Provincial Treasury the municipality was encouraged to enter negotiations with Eskom to arrive at affordable payment terms. The municipality engaged with Eskom and the revised debt repayment plan was completed. The council resolution is attached as annexure A
- New agreement was proposed to Eskom, the council resolution on the agreement has been issued.
- The response on new agreement has been received by the municipality from Eskom, the agreement has been attached as annexure
- Amount of R 21 157 026 was billed toward October 2022 current account.
- Amount of R 24 544 968.02 was billed toward November 2022 current account.

- Amount of R22 151 800.14 was added back to December 2022 current account due to the misallocation of the funds.
- The municipality had arrangement of R30 000 000 in the month of December 2022

➤ **Below is the summary of the outstanding amount on Eskom account.**

Month	Opening balance	Account	Arrangement/ Adjustment	Amount Paid	AMOUNT OWED
October	326 671 285.00	21 157 026.36	0.00	16 005 660.43	331 822 650.94
November	331 822 650.94	24 544 968.02	0.00	8 470 798.80	347 896 820.46
December	347 896 820.46	22 151 800.14	30 000 000.00	59 695 824.48	310 352 796.12

NB: It should be noted that the amount of R 3 Million was paid in November 2022 after ESKOM 'S billing, which is not reflected on the invoice attached, the billing was already done when the municipality made the payment.

- **Bulk Water – DWS**

- There is no amount agreed upon yet as the negotiation are still going on between Msukaligwa and the Department of Water affairs.
- The municipality have not yet received invoices for past three months of the new financial year
- There is no amount paid to DWS in past three months.

SUMMARY OF THE OUTSTANDING DEBT AS PER DWS STATEMENT:

Month	Opening Balance	Monthly Invoices	Payment	Adjustments	Total
October	980 077 604.00	0.00	0.00		980 077 604.00
November	980 077 604.00	0.00	0.00		980 077 604.00
December	980 077 604.00	0.00	0.00		980 077 604.00

Total debt in the Quarter end ending 31 December 2022 amount to **R 980 077 604.00** management to notes that the municipality have not yet received invoices for past 3 months of the year.

- **Debt Impairment**

- This is a non-cash expenditure item; debt impairment represents non collection of services cashflow and is an average loss of R13 million per month.

- **Other Materials, Contracted services expenses less than budgeted**

- Expenses regarding, other materials (Repairs and maintenance), Contracted services and other general day to day operational expenditure are limited because of unavailable cash flow.
- Basic service delivery is addressed when spending is prioritised.

5. Capital budget: Table C 5: Quarter 2- 2022/2023

MP302 Msukaligwa - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - Quarter 2										
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									
Capital Expenditure - Functional Classification										
Governance and administration		1 052	1 890	7 088	244	1 277	3 340	(2 062)	-62%	7 088
Executive and council		-	-	700	-	-	350	(350)	-100%	700
Finance and administration		1 052	1 890	6 388	244	1 277	2 990	(1 712)	-57%	6 388
Internal audit								-		
Community and public safety		1 832	10 817	10 817	-	-	5 409	(5 409)	-100%	10 817
Community and social services		130	10 817	10 817	-	-	5 409	(5 409)	-100%	10 817
Sport and recreation		527	-	-	-	-	-	-		-
Public safety		1 175	-	-	-	-	-	-		-
Housing								-		
Health		-	-	-	-	-	-	-		-
Economic and environmental services		352	19 964	50 931	1 350	9 272	23 764	(14 492)	-61%	50 931
Planning and development		-	-	17 015	230	1 360	6 806	(5 446)	-80%	17 015
Road transport		352	19 964	33 915	1 121	7 912	16 958	(9 046)	-53%	33 915
Environmental protection								-		
Trading services		2 147	265 164	512 729	23 224	109 222	216 489	(107 267)	-50%	512 729
Energy sources		-	3 826	9 967	1 903	3 315	3 984	(668)	-17%	9 967
Water management		-	183 575	187 099	17 908	89 339	93 084	(3 745)	-4%	187 099
Waste water management		-	75 096	311 222	3 413	13 911	117 201	(103 290)	-88%	311 222
Waste management		2 147	2 667	4 441	-	2 657	2 220	436	20%	4 441
Other								-		
Total Capital Expenditure - Functional Classification	3	5 383	297 835	581 565	24 819	119 771	249 001	(129 230)	-52%	581 565
Funded by:										
National Government		2 147	292 052	568 810	24 575	115 837	242 828	(126 991)	-52%	568 810
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		2 147	292 052	568 810	24 575	115 837	242 828	(126 991)	-52%	568 810
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		3 236	5 783	12 755	244	3 934	6 173	(2 239)	-36%	12 755
Total Capital Funding		5 383	297 835	581 565	24 819	119 771	249 001	(129 230)	-52%	581 565

6. Cash flow: Table C 7: 31 DECEMBER 2022

MP302 Msukaligwa - Table C7 Monthly Budget Statement - Cash Flow - Quarter 2

Description	Ref	Budget Year 2022/23								
		2021/22 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		207 796	133 248	133 248	17 088	82 685	66 624	16 060	24%	133 248
Service charges		360 887	385 213	385 213	32 213	163 169	192 606	(29 438)	-15%	385 213
Other revenue		206 751	95 675	95 675	4 141	175 073	47 838	127 235	266%	95 675
Transfers and Subsidies - Operational		289 167	228 686	228 686	-	128 000	114 343	13 657	12%	228 686
Transfers and Subsidies - Capital		82 913	295 055	295 055	82 757	89 700	147 527	(57 827)	-39%	295 055
Interest		33	932	932	-	-	466	(466)	-100%	932
Dividends								-		
Payments										
Suppliers and employees		(220 481)	(838 995)	(838 995)	(92 078)	(558 289)	(419 497)	138 792	-33%	(838 995)
Finance charges		-	-	-	-	-	-	-		-
Transfers and Grants								-		-
NET CASH FROM/(USED) OPERATING ACTIVITIES		927 066	299 815	299 815	44 121	80 337	149 907	69 571	46%	299 815
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		399	-	-	-	222	-	222	#DIV/0!	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(5 383)	(297 835)	(297 835)	(24 819)	(119 771)	(148 918)	(29 147)	20%	(297 835)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(4 984)	(297 835)	(297 835)	(24 819)	(119 549)	(148 918)	(29 369)	20%	(297 835)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits								-		-
Payments										
Repayment of borrowing								-		-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		922 082	1 980	1 980	68 939	(39 212)	990			1 980
Cash/cash equivalents at beginning:		6 175	1 020	1 020	128 384	128 384	1 020			124 442
Cash/cash equivalents at month/year end:		928 257	3 000	3 000	88 638	88 638	2 010			126 421

Note Concern regarding estimated negative cash flow in future:

- The bank balances as at 30 SEPTEMBER 2022, mentioned above is positive, however it should be noted that the Call account which is included (conditional grants) has a surplus of R 80 million.
- The collection rate for services and property rates revenue was 60% in the First quarter and has slightly increased to an average of (October - 57%, November - 64% and December - 63%) 61% in the 2022-23 Second quarter whilst we budget at 70%.
- License fees, excluding the Council commissions as collected, are payable to the provincial department as per license bank account cannot be used to finance operational costs.

7. CONSUMER DEBTORS: 30 SEPTEMBER 2022

Opening balance 1 October 2022	:	R 1 007 900 551
Debtors as at 31 December 2022	:	R 1 040 935 673
Increase: Loss of cash flow: 3 months		<u>R 33 035 122 (3%)</u>

The municipality has a ever increasing debt book which has now reached a billion, this is a concern that council should address as soon as possible.

The Q1 section 71/52 report, consumer debtors balance was reported as R 1, 007 billion, which increased by R 33 million from 1 October 2022 to 30 December 2022. The percentage increase between the Quarters 3%.

Description	0-30Days	31-60Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
R thousands									
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	10 687	3 515	4 052	3 678	3 291	2 799	15 350	148 858	192 230
Trade and Other Receivables from Exchange Transactions - Electricity	21 924	4 562	3 720	3 368	3 304	2 298	11 919	86 047	137 142
Receivables from Non-exchange Transactions - Property Rates	22 571	6 325	5 559	5 261	5 086	4 243	23 265	91 872	164 181
Receivables from Exchange Transactions - Waste Water Management	8 336	3 109	3 057	2 937	2 772	2 141	12 167	89 723	124 241
Receivables from Exchange Transactions - Waste Management	7 650	2 867	2 826	2 755	2 649	1 924	10 855	87 353	118 879
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	6 125	2 942	2 879	2 807	2 768	2 706	15 202	209 496	244 923
Recoverable unauthorised, irregular, fruitless and wasteful expenditure									-
Other	1 218	311	864	477	539	701	2 317	52 374	58 799
Total By Income Source	78 510	23 630	22 957	21 284	20 408	16 810	91 074	765 722	1 040 395
Debtors Age Analysis By Customer Group									
Organs of State	6 825	2 072	1 757	1 357	1 496	1 382	6 779	30 224	51 893
Commercial	26 990	5 265	4 605	4 122	4 004	3 392	18 312	140 507	207 197
Households	41 718	15 492	15 642	14 925	14 079	11 347	61 865	568 965	744 032
Other	2 977	802	953	880	829	688	4 118	26 025	37 272
Total By Customer Group	78 510	23 630	22 957	21 284	20 408	16 810	91 074	765 722	1 040 395

- In the table above the 0-90days “quick collection of revenue by means of strict enforced credit control decrease, however the current accounts 0-30 days is very high.
- In the medium term 91-365 days, the amount collectable at a rate of 15.54%, amounts to R 50,352 million. Adding the short and medium debtors to be collected at a rate of 61% , imply that cash flow to be set aside as working capital to pay the trade and payables (Eskom, DWS and DCSSL) .
- The more than one year debt in the amount of R 765, 722 million should be classified as partially doubt full debt. A serious effort to cleanse the debt book from prescribed and uncollectable debt (late estates-child headed families etc.) need to be dealt with as a matter of urgency as to understand the correct status of available working capital to be collected.

8. CREDITORS

The creditor's status is as follows:

Opening balance : 1 October 2022 R 1 424 212 699
 Minus: Closing balance: 31 December 2022 R 1 406 814 216
 Decrease in creditors balances: Second Quarter R 17 398 483

MP302 Msukaligwa Supporting table SC4 Monthly Budget Statement - Aged Creditors M06 December 2022										
Description	NT Code	Budget Year 2022/23								
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180	181 Days - 1 Year	Over 1 Year	Total
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	22 151 800.14	-	-	-	-	-	-	297 087 250.76	319 239 050.90
Bulk Water	0200	-	1 290 931.00	-	-	-	-	-	974 285 740.82	975 576 671.82
PAYE deductions	0300									-
VAT (output less input)	0400									-
Pensions / Retirement ded	0500									-
Loan repayments	0600									-
Trade Creditors	0700	-	27 096 182.21	-	-	-	-	-	82 969 923.79	110 066 106.00
Auditor General	0800									-
Other	0900	1 712 633.35	-	-	219 754.00	-	-	-	-	1 932 387.35
Total By Customer Type	1000	23 864 433.49	28 387 113.21	-	219 754.00	-	-	-	1 354 342 915.37	1 406 814 216.07

The top creditors for the month of December 2022 are as follows:

TOP TEN CREDITORS FOR DECEMBER 2022		
SUPPLIER NUMBER	SUPPLIER NAME	AMOUNT
ED251	DEPARTMENT OF WATER AND SANITATION	R 975 576 672.13
EE265	ESKOM	R 319 239 050.90
ED243	DCSSL	R 110 066 106.00
EB224	BE FOREVER TRADING AND PROJECTS	R 573 191.14
EZ 683	Z MHLONGO & KHUMALO	R 356 400.00
EN123	NG MAVUSO	R 335 089.30
EZ674	ZAMANGWANE CONSULTANTS	R 219 754.20
ER138	RKS FLAME PTY LTD	R 190 010.41
EA150	AFRIPLAN TOWN & REGIONAL PLANNER	R 163 242.50
EZ680	ZILUMBILE TRADING ENTERPRISE	R 67 500.00
ES519	SBHODONGO ENTERPRISE	20 000.00
ET340	TAKURA TRADING ENTERPRISE	7 200.00
TOTAL		R 1 406 814 216.58

10. Monthly Budget Statement - Financial Position TABLE C6 – SEPTEMBER 2022

Current assets excluding inventory	R 894, 029 million
Minus: Current liabilities:	<u>(R 2, 083 509 billion)</u>
Current shortfall in cash to cover liabilities in the short term	<u>(R 1, 189 480 million)</u>

Ideal cash flow needed 2:1 (200% current assets: 100 % liabilities)

- **Current- and liquidity ratio calculated as per the above-mentioned table;**
 - The current ratio (Current assets excluding inventory (stores) / Current liabilities) for the year to date is 42%.
 - The ideal rate is 200% current assets (cash and cash equivalent plus debtors (0-90 days) to be collected versus current liabilities of 100%. A ratio of 2: 1. The municipalities ratio is therefore 0,48:1
 - Our cash flow situation is in dire straits and need to be rectified by means of revenue enhancement and expenditure control.

MP302 Msukaligwa - Table C6 Monthly Budget Statement - Financial Position - Quarter 2

Description	Ref	2021/22	Budget Year 2022/23			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		50 160	252 685	252 685	4 683	252 685
Call investment deposits		(49 789)	–	–	84 000	–
Consumer debtors		203 581	395 611	395 611	291 473	395 611
Other debtors		450 176	159 072	159 072	484 102	159 072
Current portion of long-term receivables		–	–	–	–	–
Inventory		13 004	(17)	(17)	18 481	(17)
Total current assets		667 132	807 352	807 352	912 510	807 352
Non current assets						
Long-term receivables		–	–	–	–	–
Investments		–	–	–	–	–
Investment property		180 113	120 037	120 037	180 113	120 037
Investments in Associate		–	–	–	–	–
Property, plant and equipment		2 537 476	2 660 807	2 944 536	2 657 247	2 944 536
Biological		–	–	–	–	–
Intangible		62	–	–	62	–
Other non-current assets		175	202	202	175	202
Total non current assets		2 717 826	2 781 046	3 064 776	2 837 597	3 064 776
TOTAL ASSETS		3 384 958	3 588 398	3 872 127	3 750 106	3 872 127
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		–	–	–	–	–
Consumer deposits		19 244	3 511	3 511	19 794	3 511
Trade and other payables		1 900 403	1 648 508	1 648 508	2 083 509	1 648 508
Provisions		66 110	22 161	22 161	66 765	22 161
Total current liabilities		1 985 757	1 674 180	1 674 180	2 170 068	1 674 180
Non current liabilities						
Borrowing		1 223	2 643	2 643	1 223	2 643
Provisions		87 853	80 331	80 331	87 853	80 331
Total non current liabilities		89 077	82 974	82 974	89 077	82 974
TOTAL LIABILITIES		2 074 834	1 757 154	1 757 154	2 259 145	1 757 154
NET ASSETS	2	1 310 125	1 831 244	2 114 974	1 490 961	2 114 974
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		1 310 125	1 831 244	2 114 974	1 490 961	2 114 974
Reserves		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	1 310 125	1 831 244	2 114 974	1 490 961	2 114 974

11. MANAGEMENT RECOMMEDATIONS:

1. That the Finance Section 80 Committee **NOTES** the **DECEMBER 2022 Section 71/52 Budget Statement report for Month 06 / Quarter 2.**
2. That the Committee **NOTES** that the outstanding amount owed by the municipality to Eskom for Quarter ending December 2022 amount to **R 310 352 796.00**
3. That the Finance Section 80 Committee **NOTES** that the outstanding amount owed by the municipality to **DWS** for Quarter ending 31 December 2022 amounts to **R 980 077 604.00.**
4. That the Section 80 Committee **NOTES** that there is **no Unauthorized Expenditure** for the Quarter ending 31 December 2022.

MR. PJ NHLABATHI
DIRECTOR FINANCE

QUALITY CERTIFICATE

MP 302 MSUKALIGWA LOCAL MUNICIPALITY

I, M. KUNENE, the Municipal Manager of Msukaligwa Local Municipality, hereby certify that the monthly budget statement report and supporting documentation for submission of the **SECOND** section 52 quarterly report of 2022/2023, (inclusive of section 71 report for the month of **DECEMBER 2022**), has been prepared in accordance with the Municipal management act and the regulations made under the Act.

Acting Municipal Manager of Msukaligwa Local Municipality

Name: MR. M. KUNENE

Position: Municipal Manager : MP 302 Msukaligwa local municipality

Signature: _____

Date: _____