



MSUKALIGWA LOCAL MUNICIPALITY



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DEPARTMENT OF FINANCE

Enquiries: Mr. S.M. Phiri

Date: 14 December 2022

Office of the Executive Mayor
Msukaligwa Local Municipality
ERMELO

Sir / Madam

RE: SUBMISSION OF DOCUMENTS

Kindly acknowledge receipt of the following document:

1. Section 71 Report – November 2022 – M05

Kind regards


S.M. PHIRI
ACTING CFO

EXECUTIVE MAYOR

ACKNOWLEDGE RECEIPT OF ABOVEMENTIONED DOCUMENTS

Lerato Kubheka.
NAME AND SURNAME


SIGNATURE

14 December 2022
DATE

Finance Section 80 Committee: DECEMBER 2022

Report of the Acting Director Finance

SECT 71 FINANCIAL REPORT ENDING 30 NOVEMBER 2022

1. PURPOSE

The purpose of this report is to present a Section 71 financial report ending **NOVEMBER 2022** for consideration and noting.

2. LEGISLATION

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 Executive Mayor of 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.

3.1 STATEMENT OF PERFORMANCE : OPERATIONAL REVENUE AND EXPENDITURE

MP302 Msukaligwa - Table C1 Monthly Budget Statement Summary - M05 November									
Description	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									
Financial Performance									
Property rates	181 646	207 037	207 037	16 972	83 240	86 265	(3 026)	-4%	207 037
Service charges	394 104	411 350	411 350	33 650	179 808	171 396	8 412	5%	411 350
Investment revenue	1 098	932	932	382	1 222	388	834	215%	932
Transfers and subsidies	207 661	231 689	231 689	-	88 961	96 537	(7 576)	-8%	231 689
Other own revenue	122 068	59 637	59 637	3 774	19 857	24 849	(4 992)	-20%	59 637
Total Revenue (excluding capital transfers and contributions)	906 577	910 645	910 645	54 777	373 087	379 435	(6 348)	-2%	910 645
Employee costs	250 666	276 107	276 237	22 250	110 099	115 093	(4 994)	-4%	276 237
Remuneration of Councillors	13 792	18 513	18 513	958	5 492	7 714	(2 222)	-29%	18 513
Depreciation & asset impairment	141 732	140 616	140 616	25 065	71 936	58 590	(58 590)	-100%	140 616
Finance charges	87 000	-	-	-	-	-	-	-	-
Inventory consumed and bulk purchases	398 299	400 647	400 512	9 843	110 047	166 892	(56 845)	-34%	400 512
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Other expenditure	252 001	289 480	288 885	11 052	36 335	120 359	(84 024)	-70%	288 885
Total Expenditure	1 143 490	1 125 364	1 124 764	69 168	261 973	468 648	(206 675)	-44%	1 124 764
Surplus/(Deficit)	(236 913)	(214 719)	(214 119)	99 405	111 114	(89 213)	200 327	-225%	(214 119)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	303 435	292 052	292 052	-	-	121 688	(121 688)	-100%	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	66 522	77 333	77 933	99 405	111 114	32 476	78 638	242%	77 933
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	66 522	77 333	77 933	99 405	111 114	32 476	78 638	242%	77 933
Capital expenditure & funds sources									
Capital expenditure	5 383	297 835	580 261	30 089	94 952	193 573	(98 621)	-51%	580 261
Capital transfers recognised	2 147	292 052	567 506	29 967	91 262	188 497	(97 235)	-52%	567 506
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	3 236	5 783	12 755	122	3 690	5 076	(1 386)	-27%	12 755
Total sources of capital funds	5 383	297 835	580 261	30 089	94 952	193 573	(98 621)	-51%	580 261
Financial position									
Total current assets	671 538	807 352	807 352	-	888 360	-	-	-	807 352
Total non current assets	2 717 826	2 781 046	3 063 472	-	2 812 778	-	-	-	3 063 472
Total current liabilities	1 988 566	1 674 180	1 674 180	-	2 169 227	-	-	-	1 674 180
Total non current liabilities	89 077	82 974	82 974	-	89 077	-	-	-	82 974
Community wealth/Equity	1 537 147	1 850 686	1 850 686	-	1 451 420	-	-	-	1 850 686
Cash flows									
Net cash from (used) operating	927 066	299 815	299 815	95 125	66 389	124 923	58 534	47%	299 815
Net cash from (used) investing	(4 984)	(297 835)	(297 835)	(29 994)	(94 730)	(124 098)	(29 368)	24%	(297 835)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the month/year end	928 257	3 000	3 000	-	59 622	1 845	(57 778)	-3132%	89 943
Debtors & creditors analysis									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	77 421	24 757	22 008	20 902	17 043	16 299	91 510	752 864	1 022 806
Creditors Age Analysis									
Total Creditors	4 677	85 258	-	220	-	-	-	1 357 748	1 447 902

- (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.

3. DISCUSSION

- **Executive summary: Outcome of the operational and Capital budget for the First Quarter**

The Income and Expenditure in the municipality's monthly budget statement for the month of November 2022 is summarized as follows:

TABLE C 1:

Description	2022/23 Original R million	2022/23 Adjustment budget R million	Month 05 Monthly Budget R million	Month 05 Actual R million	Difference Actual versus R million
Revenue	910 645	910 645	75 887	54 777	21 110
Expenditure	(1 125 364)	(1 125 364)	(93 780)	(69 168)	(24 612)
Total (Surplus/Deficit)	(214 719)	(214 719)	(17 893)	(14 391)	(3 502)

Operational Budget Summary

- The table above depicts that the in total actual revenue generated for the month of November 2022 is 27% or R 67 , 622 million less than the pro rata budget projection for the month.
- The Operational expenditure incurred amounts to R 69 168 million in November 2022, which is 36% less than the actual projection for the month.
- The outcome reflected in the table above shows that for the month ending 30 November 2022, the municipality has an operating deficit of R 3,502 million.

- **Surplus / Deficit**

The surplus as per the above mentioned table amounts to R 3,502 million.

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

3.1.1 REVENUE

MP302 Msukaligwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M05 November								
Description	2021/22	Budget Year 2022/23						
	Audited Outcome	Original Budget	Adjusted Budget	Monthly Budget	Monthly actual	Monthly Variance	% Variance	Full Year Forecast
R thousands								
Revenue By Source								
Property rates	181 646	207 037	207 037	17 253	16 972	281	2%	207 037
Service charges - electricity revenue	240 824	246 323	246 323	20 527	19 160	1 367	7%	246 323
Service charges - water revenue	64 326	67 192	67 192	5 599	5 663	(63)	-1%	67 192
Service charges - sanitation revenue	48 774	52 787	52 787	4 399	4 748	(349)	-8%	52 787
Service charges - refuse revenue	40 181	45 048	45 048	3 754	4 079	(325)	-9%	45 048
Rental of facilities and equipment	2 720	2 700	2 700	225	243	(18)	-8%	2 700
Interest earned - external investment	1 098	932	932	78	382	(304)	-80%	932
Interest earned - outstanding debtors	29 709	31 001	31 001	2 583	3 000	(416)	-16%	31 001
Fines, penalties and forfeits	4 771	5 177	5 177	431	22	410	16%	5 177
Licences and permits	3 666	3 636	3 636	303	-	303	2%	3 636
Agency services	8 001	8 490	8 490	708	-	708	100%	8 490
Transfers and subsidies	207 681	231 689	231 689	19 307	-	19 307	0%	231 689
Other revenue	6 113	8 633	8 633	719	414	305	42%	8 633
Gains	67 088	-	-	-	95	(95)	0%	-
Total Revenue (excluding capital transfers and contributions)	906 577	910 645	910 645	75 887	54 777	21 110	39%	910 645

REVENUE VARIANCES EXPLANATION

- Revenue is generated from the billing of services and other income associated with the basic running of the Municipality.
- For the Month of November 2022, Revenue received and billed is 27% less than the projected budget for the period from November 2022 to 30 November 2022.

- Property Rates**

Property rates amounts to R16, 792 million for November 2022 which is an increase of R 174 thousand or 1.04 % when compared to October 2022 where it amounted to R 16,618 million. This is 2% less than the budget projection for the month.

- Electricity**

Description	Quarterly Budget - Q1	Actual billed or received Q1	Difference	Variance based on pro rata budget
	R	R	R	%
Conventional	14 368 836.13	13 411 783.28	957 052.85	7%
Prepaid sales	6 158 072.63	5 747 907.12	410 165.51	7%
Total	20 526 908.75	19 159 690.40	1 367 218.35	7%

The income for electricity at end of November 2022 amounts to R 19, 159 million. The average percentage in this regard is 7% less than the projection.

Prepaid Electricity

Prepaid sales, for electricity amounts to R 5, 747 million for November 2022. There has been an increase in the sales of prepaid electricity.

Conventional

Conventional sales, for electricity amounts to R 13, 411 million for November 2022 compared to R12, 984 million for October 2022. The Municipality billed 7% less than the projected budget of R 20, 526 million for the month as reflected in the table above.

- **Water Sales**

For the month of November 2022, revenue generated from water sales shows an increase of 1% more than the projected monthly budget and this amounts to R 5, 663 million.

- **Waste Water**

Revenue generated from waste water services amounts to R 4, 748 million for November 2022 which is 8% more than the projected budget.

- **Refuse**

For the month of November 2022, revenue generated from refuse collection shows an increase of 9% more than the projected monthly budget and this amounts to R 4, 079 million.

- **Rental Of Facilities**

Rental budget income shows a surplus of R18 thousand in November 2022. This implies that the Municipality has collected 8% more than the estimated budget. This is due to the lease agreements being updated gradually to improve income.

- **Fines, Penalties and Forfeits**

The monthly projection for Fines amounts to R437 thousand, however the municipality has only managed to collect R 22 thousand. This means that 84% of the fines are not collected and this contributes to a high amount of debt impairment. An emphasis should be put on the collection of unpaid fines and measures need to be taken to improve the system and increase collection of traffic fines issued.

3.1.2 OPERATING EXPENDITURE

Operational expenditure (cash and non-cash items) for November 2022 amounts to R 69, 168 million.

MP302 Msukaligwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M05 November								
Description	2021/22	Budget Year 2022/23						
	Audited Outcome	Original Budget	Adjusted Budget	Monthly Budget	Monthly actual	Monthly Variance	% Variance	Full Year Forecast
R thousands								
Expenditure By Type								
Employee related costs	250 666	276 107	276 237	23 020	22 250	770	3%	276 237
Remuneration of councillors	13 792	18 513	18 513	1 543	958	584	38%	18 513
Debt impairment	121 120	156 536	156 536	13 045	13 347	(302)	-2%	156 536
Depreciation & asset impairment	141 732	140 616	140 616	11 718	11 718	-	0%	140 616
Bulk purchases - electricity	304 353	319 126	319 126	26 594	5 931	20 663	78%	319 126
Inventory consumed	93 946	81 522	81 387	6 782	3 912	2 870	42%	81 387
Contracted services	54 762	75 718	75 078	6 256	4 345	1 911	31%	75 078
Other expenditure	41 752	57 226	57 271	4 773	6 707	(1 934)	-41%	57 271
Losses	34 367	-	-	-	-	-	0%	-
Total Expenditure	1 056 490	1 125 364	1 124 764	93 730	69 168	24 562	36%	1 124 764

- **Employee Related Costs and Councilors Remuneration**

Employee costs for November 2022 amounts to R 22, 250 million. Remuneration of councilors amounts to R 958 thousand as at 30 November 2022.

Employee related costs for the month is 41% less than the estimate.

OVERTIME SPENDING AS AT 30 November 2022

OVERTIME REPORT: 1 JULY 2022- 30 NOVEMBER 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	185 061.25	109 940.42	75 120.83	41%	
Technical dep	31032110360PRMRCZZWM	-	-	3 848.46	3 848.46	100%	
Sewerage	31122110360WMRCZZWM	1 825 490	760 620.83	1 539 397.34	778 776.51	-102%	
Sewerage	31132110360WMRCZZWM	347 200	144 666.67	243 438.77	98 772.10	-68%	
Water	31222110360WTMRCZZWM	1 641 990	684 162.50	1 356 676.37	672 513.87	-98%	
Water	31232110360WTMRCZZWM	993 370	413 904.17	791 998.79	378 094.82	-91%	
Workshop	31082110360PRMRCZZWM	276 948	115 395.00	214 610.27	99 215.27	-86%	
Electricity	32012110360ELMRCZZWM	2 860 900	1 192 041.67	2 369 346.70	1 197 305.03	-100%	
Sub Total		8 390 045	3 495 852	6 649 257	-3 153 405	-90%	Over Spending
Community services							
Fire	33022110360PRMRCZZWM	193 500	80 625.00	80 513.89	111.11	0%	
Disaster	33032110360PRMRCZZWM	108 030	45 012.50	74 327.18	29 314.68	-65%	
Traffic	33052110360PRMRCZZWM	165 900	69 125.00	63 998.77	5 126.23	7%	
Cemetery	34022110360PRMRCZZWM	324 760	135 316.67	235 322.01	100 005.34	-74%	
Parks and Grounds	34042110360PRMRCZZWM	316 440	131 850.00	219 026.71	87 176.71	-66%	Overspending
Sports and Recreation	34072110360PRMRCZZWM	30 600	12 750.00	33 936.72	21 188.72	-166%	Overspending
Sports field general	34082110360PRMRCZZWM	48 270	20 112.50	37 447.12	17 334.62	-86%	
Golf Course	34092110360PRMRCZZWM	9 400	3 916.67	5 562.48	1 645.81	-42%	
Waste management	34102110360WSMRCZZWM	1 911 200	796 333.33	1 758 093.61	961 760.28	-121%	
Sub Total		3 108 100	1 295 042	2 508 228	-1 213 186.82	-94%	Overspending
Corporate services							
Civic centre	35022110360PRMRCZZHO	262 350	109 312.50	321 043.69	211 731.19	-194%	Overspending
Administration	35032110360PRMRCZZHO	49 520	20 633.33	3 221.13	17 412.20	84%	
Sub Total		311 870	129 946	324 265	-194 319	150%	Overspending
Municipal manager							
	36012110360PRMRCZZHO	7 170	2 987.50	3 212.93	225.43	-8%	
	36062110360EPMRCZZHO	14 700	6 125.00	1 689.60	4 435.40		
CALL centre	36072110360PRMRCZZHO	61 910	25 795.83	48 266.91	22 471.08	-87%	
Sub Total		83 780	58 278	53 169	-18 261.11	-31%	Overspending
Finance							
BTO	37042110360PRMRCZZHO	116 330.00	48 470.83	99 515.33	51 044.50	-105%	
Sub Total		116 330	48 471	99 515	-51 044.50	-105%	Overspending
Totals		12 010 125	5 027 588	9 634 435	-4 630 216		Overspending to date
Overtime overspent/ Saving on budget for period 1 July - 30 November 2022					- 4 630 216.45		

- All departments have over spending as far as overtime is concerned, the projection is for 5 months.
- The overall overspending amounts to R 4, 630 million.

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

- The Municipality acknowledges that as at 17th June 2022 it is and lawfully indebted to Eskom as per the revised repayment plan an amount of R 298 290 833.17 (Two hundred and ninety eight thousand five hundred and eighty five and eighty hundred and six rand plus seventy cents).

- 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 into 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
- b) New agreement was proposed to Eskom, the council resolution on the agreement has been issued.
- c) The response on new agreement has been received by the municipality from Eskom, The agreement has been attached as annexure

- d) Amount of R 24 544 968.02 was billed toward November 2022 current account.
- e) Amount of R1 731 134.65 was added back to November 2022 current account due to the misallocation of the funds.
- f) The municipality had no arrangement in the month of August

The table below reflects a summary of the outstanding amount on Eskom account.

Month	Opening balance	Account	Arrangement/ Adjustment	Amount Paid	AMOUNT OWED
November	331 822 650.93	24 544 968.02	0.00	8 470 798.80	347 896 820.46
Amount paid in November					3 000 000.00
Outstanding amount					344 896 820.46

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

- **Bulk Purchases Water – DWS**

Total debt in month ending October 2022 amount to R 980 077 604.00 management to note that the municipality have not yet received invoices for month of November 2022.

MONTH	OPENING BALANCE	MONTHLY INVOICES	PAYMENT	ADJUSTMENTS	TOTAL
OCTOBER	980 077 604.00	0.00	0.00		980 077 604.00

NB: DWS did not submit invoices to determine if there was interest charged in July which might be reported in coming months

- **DCSSL**

The municipality had a meeting where they discussed the outstanding balance that is owed by the Municipality to Department of Community Safety and Security. They both agreed on the amount of **R102 430 666.60**. The letter was sent to the Department to request the approval on agreement, but it is not yet back for signature.

The Municipality has created a separate account where all monies paid for licensing is directed. This is created to assist the municipality to be able to pay DCSSL 80% which is the total collection in a month.

The municipality already owes the Department the amount for previous financial years, which cannot be possible to be paid out of the current year's collection, Therefore the municipality requested that they enter to a payment plan agreement that will address the outstanding balance.

It should be noted that response has not been received since the Municipality sent the letter to the Department of Community, Safety, Security and Liaison.

The meeting between Msukaligwa local Municipalities on the 2nd of September 2022. In the meeting some documents were requested to be able to proceed with their processes based on budget.

The following document were request from the municipality to be submitted to DCSSL;

- a. Rates and taxes
- b. Any contracts related to licensing's security, photocopying machines, telephones etc.
- c. Licensing Employees and their post levels for the costing

These documents were sent to them on Monday the 5th of September 2022 which seems to be complete though there is lot of work to be done after receiving the information. The Municipality will continue communicating until the process is done.

Amount of R2 881 433.83 was billed in a month of November 2022

The table below reflects a summary of the outstanding amount on DCSSL account.

OPENING BALANCE	CURRENT YEAR MOVEMENT	INTEREST	PAYMENT	TOTAL
109 277 853.87				
JULY	2 552 726.78	577 430.31	5 454 980.62	106 953 030.34
AUGUST	3 343 694.02	556 634.43	4 080 055.91	106 773 302.88
SEPTEMBER	2 568 281.66	577 324.96	-	109 918 909.50
OCTOBER	3 226 678.39	598 378.29	3 097 900.00	110 646 066.18
NOVEMBER	2 881 433.83	615 066.06	4 076 460.07	110 066 106.00

- **Debt Impairment and Depreciation**

Average Debt impairment amounts to R 13, 346 million as at 30 November 2022 or 37% of the collection.

- **Other Materials**

Expenses regarding, other materials (Repairs and maintenance), Contracted services and other general day to day operational expenditure were limited because cash flow needs to be allocated to creditor payments for example Eskom.

4. C3 Schedule - Unauthorised Expenditure 30 November 2022

MP302 Msukaligwa - Table C3 Monthly Budget Statement -Unauthorised Expenditure - M05 November										
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										
Expenditure by Vote	1									
Vote 01 - Executive & Council		55 116	60 565	60 666	997	20 080	25 272	(5 192)	-20.5%	60 666
Vote 02 - Finance & Administration		208 583	170 889	170 196	8 354	37 682	70 915	(33 232)	-46.9%	170 196
Vote 03 -		-	-	-	-	-	-	-		-
Vote 04 - Sport And Recreation		20 440	11 487	11 487	266	1 247	4 786	(3 539)	-73.9%	11 487
Vote 05 - Public Safety		25 110	32 561	32 561	1 925	8 368	13 567	(5 199)	-38.3%	32 561
Vote 06 - Housing		-	-	-	-	-	-	-		-
Vote 07 - Health		-	-	-	-	-	-	-		-
Vote 08 - Planning And Development		10 372	15 734	15 734	898	4 153	6 556	(2 402)	-36.6%	15 734
Vote 09 - Community & Social Services		67 762	68 500	68 492	5 163	22 722	28 539	(5 817)	-20.4%	68 492
Vote 10 - Electricity		375 929	424 769	424 769	10 930	117 769	176 987	(59 218)	-33.5%	424 769
Vote 11 - Water Management		161 975	139 092	139 092	4 058	13 916	57 955	(44 039)	-76.0%	139 092
Vote 12 - Waste Water Management		61 457	57 493	57 493	1 718	7 276	23 955	(16 679)	-69.6%	57 493
Vote 13 - Waste Management		63 642	46 601	46 601	3 759	12 042	19 417	(7 375)	-38.0%	46 601
Vote 14 - Road Transport		82 627	86 203	86 203	5 203	12 724	35 918	(23 194)	-64.6%	86 203
Vote 15 - Other		10 477	11 471	11 471	833	3 991	4 779	(789)	-16.5%	11 471
Total Expenditure by Vote	2	1 143 490	1 125 364	1 124 764	44 104	261 973	468 648	(206 675)	-44.1%	1 124 764

- Based on the above table, all the departments have not spent more than their monthly.

5. Fruitless and wasteful Expenditure

Section 32 of the MFMA among others stipulates that any political bearer or official of a municipality who deliberately or negligently made or authorized a fruitless and wasteful expenditure is liable for that expenditure and the municipality must recover such expenses from the person liable

It should be noted that **DWS did not submit invoices to determine if there was interest charged in July which might be reported in coming months.**

5.1 THE MENTIONED TRANSACTIONS ARE CATEGORIZED AS FOLLOWS

COMPANY	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	TOTAL
ESKOM	990 678.95	966 798.51	1 916 521.49	1 386 381.39	1 982 718.08	7 243 098.42
DCSSL	577 430.31	556 634.43	577 324.96	598 378.29	615 066.06	2 924 834.05
DWS	-	-	-	-	-	-
TOTAL	1 568 109.26	1 523 432.94	3 302 902.88	1 984 759.68	2 597 784.14	10 167 932.47

➤ Amount of **R 2 597 784.14** is charged against the municipality based on late payment in a month ending November 2022.

➤ Incurred interest so far **R10 167 932.47**

6. Capital budget: Table C 5: NOVEMBER 2022

MP302 Msukaligwa - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M05
November

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	122	1 033	2 715	(1 682)	-62%	7 088
Executive and council		-	-	700	-	-	292	(292)	-100%	700
Finance and administration		1 052	1 890	6 388	122	1 033	2 423	(1 390)	-57%	6 388
Internal audit										
Community and public safety		1 832	10 817	10 817	-	-	4 507	(4 507)	-100%	10 817
Community and social services		130	10 817	10 817	-	-	4 507	(4 507)	-100%	10 817
Sport and recreation		527	-	-	-	-	-	-		-
Public safety		1 175	-	-	-	-	-	-		-
Housing										
Health		-	-	-	-	-	-	-		-
Economic and environmental services		352	19 964	50 931	1 827	7 921	19 236	(11 315)	-59%	50 931
Planning and development		-	-	17 015	956	1 130	5 105	(3 974)	-78%	17 015
Road transport		352	19 964	33 915	871	6 791	14 131	(7 340)	-52%	33 915
Environmental protection										
Trading services		2 147	265 164	511 425	28 140	85 997	167 115	(81 118)	-49%	511 425
Energy sources		-	3 826	9 967	1 412	1 412	2 986	(1 575)	-53%	9 967
Water management		-	183 575	185 795	22 476	71 431	77 415	(5 984)	-8%	185 795
Waste water management		-	75 096	311 222	4 251	10 498	84 864	(74 366)	-88%	311 222
Waste management		2 147	2 667	4 441	-	2 657	1 850	806	44%	4 441
Other										
Total Capital Expenditure - Functional Classification	3	5 383	297 835	580 261	30 089	94 952	193 573	(98 621)	-51%	580 261
Funded by:										
National Government		2 147	292 052	567 506	29 967	91 262	188 497	(97 235)	-52%	567 506
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	567 506	29 967	91 262	188 497	(97 235)	-52%	567 506
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		3 236	5 783	12 755	122	3 690	5 076	(1 386)	-27%	12 755
Total Capital Funding		5 383	297 835	580 261	30 089	94 952	193 573	(98 621)	-51%	580 261

Capital spending

- Spending on capital projects for November 2022 amounted to R 30, 089 million. This includes projects from own funding.

7. Cash flow: Table C 7: 30 NOVEMBER 2022

MP302 Msukaligwa - Table C7 Monthly Budget Statement - Cash Flow - M05 November

Description	Ref	Budget Year 2022/23								
		2021/22	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	15 977	72 615	55 520	17 095	31%	133 248
Service charges		360 887	385 213	385 213	27 572	141 149	160 505	(19 357)	-12%	385 213
Other revenue		206 751	95 675	95 675	16 686	80 049	39 865	40 185	101%	95 675
Transfers and Subsidies - Operational		289 167	228 686	228 686	40 000	128 000	95 286	32 714	34%	228 686
Transfers and Subsidies - Capital		82 913	295 055	295 055	23 700	74 700	122 940	(48 240)	-39%	295 055
Interest		33	932	932	-	-	388	(388)	-100%	932
Dividends										
Payments										
Suppliers and employees		(220 481)	(838 995)	(838 995)	(28 810)	(430 125)	(349 581)	80 543	-23%	(838 995)
Finance charges		-	-	-	-	-	-	-		-
Transfers and Grants		-	-	-	-	-	-	-		-
NET CASH FROM/(USED) OPERATING ACTIVITIES		927 066	299 815	299 815	95 125	66 389	124 923	58 534	47%	299 815
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		399	-	-	95	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)	(30 089)	(94 952)	(124 098)	(29 146)	23%	(297 835)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(4 984)	(297 835)	(297 835)	(29 994)	(94 730)	(124 098)	(29 368)	24%	(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	65 132	(28 341)	825			1 980
Cash/cash equivalents at beginning:		6 175	1 020	1 020	74 858	74 858	1 020			87 964
Cash/cash equivalents at month/year end:		928 257	3 000	3 000	128 384	128 384	1 845			89 943

Cash flow discussion

- Cash flow for November 2022 shows a slight increase in the collection rate at 64% for services and property rates. Cash flow control regarding expenses should still be implemented in line with collection.
- A recent study of municipal debt by the National Treasury shows that debt owed to municipalities in South Africa at large mainly consists of net current debtors, therefore it is imperative that the municipality increase the collection rate in order to increase cash flow.
- Cash and cash equivalents at month end amount to R 128, 384 million, this amount consists of the following bank balances.

Reconciliation: Bank balances as at 31 OCTOBER 2022

BANK ACCOUNTS BALANCES 30 NOVEMBER 2022				
Account number	Bank account type	Oct-22	Nov-22	Movement
		R	R	R
62822833267	Primary account	5 890 508.12	2 609 260.36	- 3 281 247.76
62858041272	Call Account	68 769 665.64	125 481 858.36	56 712 192.72
62837049031	Licensing Bank Account	198 033.04	292 967.59	94 934.55
TOTAL		74 858 206.80	128 384 086.31	53 525 879.51

8. DEBTORS: 30 NOVEMBER 2022

Opening balance 1 NOVEMBER 2022:	R 1 016 373 540
Debtors as at 30 NOVEMBER 2022 :	R 1 022 805 556
Increase for 1 month	R 6 432 016

The Age Analysis reflected in the table below is generated from solar.

MP302 Msukaligwa - Supporting Table SC3 Monthly Budget Statement - Aged Debtors - 30 NOVEMBER 2022									
Description	0-30Days	31-60Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	11 303	4 239	3 800	3 381	2 835	2 578	16 957	145 030	190 122
Trade and Other Receivables from Exchange Transactions - Electricity	21 467	4 405	3 548	3 481	2 380	2 190	11 964	84 809	134 222
Receivables from Non-exchange Transactions - Property Rates	22 037	6 231	5 528	5 222	4 321	4 179	22 844	88 869	159 230
Receivables from Exchange Transactions - Waste Water Management	8 086	3 149	3 005	2 809	2 180	2 116	12 017	88 045	121 388
Receivables from Exchange Transactions - Waste Management	7 488	2 914	2 814	2 688	1 942	1 903	10 703	85 755	116 207
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	5 998	2 892	2 820	2 780	2 717	2 679	14 936	207 549	242 372
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	1 043	927	496	541	709	654	2 089	52 806	59 265
Total By Income Source	77 421	24 757	22 008	20 902	17 043	16 299	91 510	752 864	1 022 806
Debtors Age Analysis By Customer Group									
Organs of State	6 550	1 797	1 383	1 512	1 383	1 229	6 702	30 169	50 740
Commercial	26 805	5 486	4 415	4 241	3 470	3 197	18 213	138 937	204 765
Households	41 301	16 305	15 319	14 317	11 490	11 170	62 372	558 516	730 791
Other	2 759	1 170	892	832	690	703	4 223	25 241	36 510
Total By Customer Group	77 421	24 757	22 008	20 902	17 043	16 299	91 510	752 864	1 022 806

Levies as at 30 NOVEMBER 2022

MSUKALIGWA MUNICIPALITY Government Debt report as at 30 November 2022

Name of Department	Total amount outstanding	0+30 Days	30 + 60 Days	60 +90 Days	90 Days and over	Payments received by the municipality in August 2022	Current Collection Rate (%)	Rates	Services	Interest	Rental Fees
Provincial Departments:											
Office of Premier											
Finance											
Cooperative Governance and Traditional Affairs											
Agriculture, Rural Development Land and Environmental Affairs											
Economic Development and Tourism	62 618	62 618	-	-	-	85 237	136%		62 618	-	
Education	7 786	7 786	-	-	-	9 997	128%		7 786	-	
	79 929	79 929	-	-	-	116 457	146%		79 929	-	
Education: Schools	755 779	487 764	80 192	23 094	164 728	566 405	75%		755 779	-	
Education Total	835 708	567 694	80 192	23 094	164 728	682 862	0%		835 708	-	
Public Works, Roads and Transport	4 554 442	576 477	549 215	557 612	2 871 139	1 694 363	37%	4 554 442		27 000	
Community Safety Security and Liaison											
Health (Clinics)	141 931	80 989	44 971	15 970	-	96 888	68%		141 931	128	
Health (Hospitals)	1 163 965	644 497	519 468	-	-	-	0%		1 163 965	-	
Culture Sport and Recreation	33 263	20 608	12 655	-	-	43 644	131%		33 263	-	
Social Development	128 097	58 329	69 769	-	-	-	0%		128 097	-	
Human Settlements	73 314	12 069	16 827	14 301	30 117	-	0%		73 314	-	
Sub Total: Provincial Departments	6 927 810	2 598 760	1 373 289	634 071	3 230 713	3 295 853	48%	4 554 442	3 282 390	27 128	-
National Departments:											
National Department of Public Works	841 926	841 926	-	-	-	5 102 113	606%	841 926			
National Department of Rural Development and Land Reform											
South African Social Security Agency - SASSA	7 468 965	165 746	163 802	387 564	6 751 852	-	0%	7 468 965		31 414	
South African Police Services - SAPS											
ADD											
ADD											
Sub Total: National Departments	8 310 890	1 007 672	163 802	387 564	6 751 852	5 102 113	61%	8 310 890	-	31 414	-
Total Debt owed by Sector Departments	15 238 700	3 606 432	1 537 091	1 021 635	9 982 565	8 397 966	55%	12 865 333	3 282 390	58 542	-
Other Organs of State:											
SANPARKS (Kruger National Park)											
Mpumalanga Economic Growth Agency - MEGA											
Mpumalanga Tourism and Parks Agency											
Water Board/ affairs											
ADD											
ADD											
ADD											
Sub Total: Other Organs of State	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL (This Should balance to SECTION 71 Report Totals)	15 238 700	3 606 432	1 537 091	1 021 635	9 982 565	8 397 966	55%	12 865 333	3 282 390	58 542	-

9. CREDITORS

The creditor's status is as follows:

Opening balance	:	1 NOVEMBER 2022	R	1 434 436 779
Minus: Closing balance:		30 NOVEMBER 2022	R	1 447 902 248
Decrease in creditors balances			R	<u>13 465 469</u>

The table below represents the Creditors Age Analysis as at 30 NOVEMBER 2022

MP302 Msukaligwa Supporting table SC4 Monthly Budget Statement - Aged Creditors M05 NOVEMBER 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	-	56 290 931.00	-	-	-	-	-	300 492 144.00	356 783 075.00
Bulk Water	0200	-	1 290 931.00	-	-	-	-	-	974 285 741.00	975 576 672.00
PAYE deductions	0300									.
VAT (output less input)	0400									.
Pensions / Retirement deductions	0500									.
Loan repayments	0600									.
Trade Creditors	0700	-	27 676 142.00	-	-	-	-	-	82 969 924.00	110 646 066.00
Auditor General	0800									.
Other	0900	4 676 681.00	-	-	219 754.00	-	-	-	-	4 896 435.00
Total By Customer Type	1000	4 676 681.00	85 258 004.00	.	219 754.00	.	.	.	1 357 747 809.00	1 447 902 248.00

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

TOP TEN CREDITORS FOR NOVEMBER 2022

SUPPLIER NUMBER	SUPPLIER NAME	AMOUNT
ED251	DEPARTMENT OF WATER AND SANITATION	975 576 672.13
EE265	ESKOM	356 783 075.24
ED243	DCSSL	110 646 066.03
ES501	303 SECURITY SERVICES	2 651 277.77
EQ14	QEDIZABA PROJECT AND TRADING (Pty) Ltd	592 765.37
EM598	MADONSELA MTHUNZI INC ATTONEYS	564 912.45
EC247	CIGICELL (Pty) Ltd	329 812.02
ES502	SMAART IMAGES (Pty) Ltd	134 850.00
ET	TSHEGO BOKAMOSA PROJECT AND CONSTRUCTION	80 250.00
EL188	L GUZANA INC ATTONEYS	58 362.50
TOTAL		1 447 418 043.51

10. Conditional grants report as at 30 NOVEMBER 2022 Grant Receipts as at 30 NOVEMBER 2022

	Grants received 2022-23					Received to date
	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	
MIG	20 000 000.00	-	-	-	-	20 000 000.00
RBIG	-	75 000 000.00	-	-	50 000 000.00	125 000 000.00
EEDSM	-	1 000 000.00	-	-	-	1 000 000.00
WSIG	10 000 000.00	-	-	30 000 000.00	-	40 000 000.00
TOTAL CAPITAL	30 000 000.00	76 000 000.00	-	30 000 000.00	50 000 000.00	186 000 000.00
EPWP	-	442 000.00	-	-	-	442 000.00
PMU	-	-	-	-	-	-
Equitable share	88 732 000.00	-	-	-	-	88 732 000.00
FMG	-	3 000 000.00	-	-	-	3 000 000.00
Total Operational	88 732 000.00	3 442 000.00	-	-	-	92 174 000.00
Total grant receipts	118 732 000.00	79 442 000.00	-	30 000 000.00	50 000 000.00	278 174 000.00

- Grants that were received as at 30 November 2022 amount to R 50 million for RBIG.

Capital grants Spending as at 30 NOVEMBER 2022:

CAPITAL GRANTS SPENDING								
TYPE of GRANTS	Original allocation	Adjusted allocation	Received to date	Spent to date	Remaining on budget	Remaining on Receipts	% against allocation	% against Receipts
MIG	R 60 055 000.00	R 0.00	R 20 000 000.00	R 19 133 726.42	R 40 921 273.58	R 866 273.58	32%	96%
EEDSM	R 4 000 000.00	R 0.00	R 1 000 000.00	R 0.00	R 4 000 000.00	R 1 000 000.00	0%	0%
WSIG	R 60 000 000.00	R 0.00	R 40 000 000.00	R 7 289 127.90	R 52 710 872.10	R 32 710 872.10	12%	18%
RBIG	R 175 000 000.00	R 0.00	R 125 000 000.00	R 69 757 570.02	R 105 242 429.98	R 55 242 429.98	40%	56%
	R 299 055 000.00	R 0.00	R 186 000 000.00	R 96 180 424.34	R 202 874 575.66	R 89 819 575.66	R 0.84	R 1.70

OPERATIONAL GRANTS SPENDING								
TYPE of GRANTS	Original allocation	Roll Over	Received to date	Spent to date	Remaining on budget	Remaining on Receipts	% against allocation	% against Receipts
FMG	R 3 000 000.00	R 0.00	R 3 000 000.00	R 493 843.37	R 2 506 156.63	R 2 506 156.63	16%	16%
EPWP	R 1 766 000.00	R 0.00	R 442 000.00	R 0.00	R 1 766 000.00	R 442 000.00	0%	0%
	R 4 766 000.00	R 0.00	R 3 442 000.00	R 493 843.37	R 4 272 156.63	R 2 948 156.63	R 0.16	R 0.16

Total grants to be cash back in a call account at 30 November 2022	
Unspent Capital 2022/23	R 89 819 575.66
Unspent Operational grants 2022/23	R 2 948 156.63
	R 92 767 732.29

- Capital Grants spending as at 30 November 2022 amounted to R 96, 180 million, the amount consist spending by MIG (including PMU), WSIG and RBIG.
- Operational grants:**
As at 30 November 2022, Operational grants that were spent are the Local Government Finance Management Grant (FMG) of R 493 thousand

11. Monthly Budget Statement - Financial Position TABLE C6 – November 2022

- The liquidity ratio (which exclude inventory) in November 2022 calculated is 41%. The ratio must be 200% to be ideal

Current assets year to date:	R 892, 302 million
Minus: Current liabilities:	<u>R 2, 169 227 billion</u>
Current shortfall in cash to cover liabilities in the short term	<u>(R 1, 276 925 billion)</u>
Ideal cash flow needed 2:1	

**MP302 Msukaligwa - Table C6 Monthly Budget Statement - Financial Position - M05
November**

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	2 609	252 685
Call investment deposits		(49 789)	-	-	125 775	-
Consumer debtors		203 581	395 611	395 611	273 884	395 611
Other debtors		454 582	159 072	159 072	473 926	159 072
Current portion of long-term receivables		-	-	-	-	-
Inventory		13 004	(17)	(17)	16 108	(17)
Total current assets		671 538	807 352	807 352	892 302	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	2 943 233	2 632 428	2 943 233
Biological Intangible		62	-	-	62	-
Other non-current assets		175	202	202	175	202
Total non current assets		2 717 826	2 781 046	3 063 472	2 812 778	3 063 472
TOTAL ASSETS		3 389 364	3 588 398	3 870 824	3 705 080	3 870 824
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		-	-	-	-	-
Consumer deposits		19 244	3 511	3 511	19 770	3 511
Trade and other payables		1 883 212	1 648 508	1 648 508	2 082 798	1 648 508
Provisions		66 110	22 161	22 161	66 658	22 161
Total current liabilities		1 968 566	1 674 180	1 674 180	2 169 227	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		2 057 643	1 757 154	1 757 154	2 258 303	1 757 154
NET ASSETS	2	1 331 721	1 831 244	2 113 670	1 446 777	2 113 670
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		1 331 721	1 831 244	2 113 670	1 446 777	2 113 670
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH	2	1 331 721	1 831 244	2 113 670	1 446 777	2 113 670

MANAGEMENT RECOMMEDATIONS:

1. That the Finance Section 80 Committee **NOTES** the **NOVEMBER 2022 Section 71 Budget Statement report.**
2. That the Finance Section 80 Committee **NOTES** that the outstanding amount owed by the municipality to **Eskom** for month ending 30 November 2022 amount to **R 347 896 820.46.**
3. That the Finance Section 80 Committee **NOTES** that the outstanding amount owed by the municipality to **DCSSL** for month ending November 2022 amounts to **R110 066 106.00.**
4. That the Section 80 Committee **NOTES** that the interest incurred (Fruitless and Wasteful Expenditure) in the month ending November 2022 is **R 10 167 932.47**
5. That the Section 80 Committee **NOTES** that there is no Unauthorised Expenditure for the month ending 30 November 2022.



MR. S.M.PHIRI
ACTING DIRECTOR FINANCE