

Council: 2023-01-31

A7 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR THE PERIOD
ENDING DECEMBER 2022 6/1/1- (2021/2022)

REPORT: Executive Mayor: 2023-01-09

1. PURPOSE

The report is submitted to ensure that the Executive Mayor is able to exercise his oversight responsibility over the financial management of the municipality.

2. BACKGROUND

The mid-year budget and performance assessment report (section 72 report) is compiled in terms of section 72 of the Municipal Finance Management Act, 2003; which stipulates as follows:

72. (1) The accounting officer of a municipality must by 25 January of each year-
(a) assess the performance of the municipality during the first half of the financial year, taking into account-
(i) the monthly statements referred to in section 71 for the first half of the financial year.
(ii) the municipality's service delivery performance during the first half of the financial year, and the service deliver targets and performance indicators set in the service delivery and budget implementation plan.
(iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
(b) submit a report on such assessment to-
(i) the mayor of the municipality;
(ii) the National Treasury; and
(iii) the relevant provincial treasury.
(2) The statement referred to in section 71(1) for the sixth month of a financial year
(3) The accounting officer must, as part of the review:
(a) make recommendations as to whether an adjustments budget is necessary: and
(b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

In response to the indicated requirements, this Report will incorporate the following main elements:

- (1) An analysis of the budget performance of the Municipality, as reflected in its section 71 budget reports for the first six months of the 2022/23 financial year; and
- (2) An interpretation and assessment of the indicated analyses by the Accounting Officer; including subsequent recommendations and actions envisaged to improve the Municipality's planned service delivery and budget performance.

3. DISCUSSION

The content and format of this report for the Mid-year assessment ending 31st December 2022 is based upon the consolidated monthly electronic reports submitted to the Provincial and National Treasury. The statement contains the following statements:

- Statement of Operating Revenue & Expenditure – Part 1;
- Actual Capital Acquisition –Part 2;
- Cash Flow Statement – Part 3;
- Age Analysis of Debtors & Debtors Payment Statistics – Part 4;
- Age Analysis of Creditors – Part 5;
- External Investments – Part 6;
- Supply Chain Report (Deviations) – Part 7; and
- Grants & Subsidies – Part 8.

Statement of Operating Revenue & Expenditure – Part 1

The statement is assessed by summarizing how the municipality incurs its revenues and expenses through both operating and none operating activities. It also shows the net profit or loss incurred over a specific accounting period.

A Profit & Loss statement provides information on the operation of the municipality. These include service charges and the various expenses incurred during the processing as well as the rendering the services

The statement is prepared on a similar basis to the prescribed budget format which details revenue by source type and expenditure by category and/or input type.

The total operating revenue for the reporting period ending December 2022 amounts to R505 717 654. The revenue generated for the reporting period consists of property rates R84 799 177, electricity amounting to R 176 168 123, water R46 710 759, sanitation services R19 717 496, refuse removal R14 298 662, interest earned on arrears R49 408 737, grants & subsidies received R112 593 000 and other revenue R320 392. Revenue generated increased by R19 404 747 when compared to the revenue generated as at 31st December 2021 of R486 312 907.

The operating expenditure for the reporting period ending December 2022 amounts to R592 932 388. The operating expenditure consists of employee related costs and remuneration for councillors respectively amounting to R135 780 866 and R6 912 008, finance charges (interest on bulk purchases) amounting to R42 274 430, bulk purchases R268 541 600, provision for debt impairment amounting to R35 179 950, provision for depreciation amounting to R42 839 640, contracted services and operating expenditure amounting to R32 479 750 and R21 501 366 respectively. The operating expenditure increased by R107 898 654 when compared to the operating expenditure of R485 033 734 for the period ended December 2021

MP305 Lekwa - Budget Statement - Financial Performance (revenue & expenditure) - December 2021

	2021/22 Pre Audit Outcome	Approved Budget 2022 - 2023 MTREF	Prior Year Mid YTD Movement Dec 2021	Mid YTD Actual Dec 2022	Mid Year Variance	YTD Actual	YTD Budget	YTD variance	YTD variance
R thousands									%
Revenue By Source									
Property rates	171 406 855	191 632 756	85 013 313	84 799 177	(214 136)	84 799 177	95 816 378,00	(11 017)	-11%
Service charges - electricity revenue	383 292 018	553 181 980	194 055 127	176 168 123	(17 887 004)	176 168 123	276 590 990,00	(100 423)	-36%
Service charges - water revenue	78 080 666	98 388 194	33 721 407	46 710 759	12 989 352	46 710 759	49 194 097,00	(2 483)	-5%
Service charges - sanitation revenue	42 911 636	77 607 312	19 646 773	19 717 496	70 723	19 717 496	38 803 656,00	(19 086)	-49%
Service charges - refuse revenue	27 749 371	29 964 699	13 846 592	14 298 662	452 070	14 298 662	14 982 349,50	(684)	-5%
Service charges - other	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	1 720 384	2 100 000	865 113	769 703	(95 410)	769 703	1 050 000,00	(280)	-27%
Interest earned - external investments	575 871	700 000	272 879	647 034	374 155	647 034	350 000,00	297	85%
Interest earned - outstanding debtors	65 440 029	57 693 464	27 707 171	49 408 737	21 701 566	49 408 737	28 846 732,00	20 562	71%
Fines	1 483 464	6 500 000	1 270 924	284 570	(986 354)	284 570	3 250 000,00	(2 965)	-91%
Transfers recognised - operational	140 933 350	158 753 700	104 943 000	112 593 000	7 650 000	112 593 000	79 376 850,00	33 216	42%
Other revenue	2 460 425	3 023 616	4 970 647	320 392	(4 650 255)	320 392	1 511 808,00	(1 191)	-79%
Total Revenue (excluding capital transfers and contributions)	916 054	1 179 545 721	486 312 946	505 717 654	505 717 654	505 717 654	589 772 861	(84 055)	-14%
Expenditure By Type									
Employee related costs	250 098 548	305 228 599	122 716 506	135 780 866	13 064 360	135 780 866	152 614 299,50	(16 833)	-11%
Remuneration of councillors	8 410 860	13 024 138	1 611 322	6 912 008	5 300 686	6 912 008	6 512 069,00	400	6%
Debt impairment	201 588 641	70 359 900	56 958	35 179 950	35 122 992	35 179 950	35 179 950,00	-	
Depreciation & asset impairment	85 563 373	85 679 276	42 781 686	42 839 640	57 954	42 839 640	42 839 638,00	0	0%
Finance charges	6 053 417	44 305 900	34 906 601	42 274 430	7 367 829	42 274 430	22 152 950,00	20 121	91%
Bulk purchases Electricity	53 384 345	469 965 100	213 668 649	267 544 244	53 875 595	267 544 244	234 982 550,00	32 562	14%
Bulk purchases Water	-	63 104 112	33 980 425	997 356	32 983 069	997 356	31 552 056,00	(30 555)	-97%
Other materials	510 268	39 175 100	5 433 099	7 422 779	1 989 680	7 422 779	19 587 550,00	(12 165)	-62%
Contracted services	2 160 156	120 392 812	24 692 099	32 479 750	7 787 651	32 479 750	60 196 406,00	(27 717)	-46%
Transfers and grants	-	-	-	-	-	-	-	-	
Other expenditure	5 294 337	60 933 184	5 186 389	21 501 366	16 314 977	21 501 366	30 466 592,00	(8 965)	-29%
Loss on disposal of PPE	-	-	-	-	-	-	-	-	
Total Expenditure	613 063 945	1 272 168 121	485 033 734	592 932 388	107 898 654	592 932 388	636 084 061	(43 152)	-7%
Surplus/(Deficit)	302 990 124	(92 622 400)	1 279 212	(87 214 734)		(87 214 734)	(46 311 200)	(40 904)	0

Trading Services Analysis

Revenue Levied	Revenue YTD Actual July 2022 - December 2022	Expenditure YTD Actual July 2022 - December 2022	Surplus(Deficit) Actual July 2022 - December 2022
Electricity	176 168 123,12	R 279 199 247,20	R -103 031 124,08
Water	46 710 758,57	R 6 460 488,20	R 40 250 270,37
Refuse	14 298 662,23	R 2 610 736,57	R 11 687 925,66
Sewerage	19 717 496,28	R 1 598 093,84	R 18 119 402,44
	256 895 040,20	R 289 868 565,81	R -32 973 525,61
Revenue Collected	Revenue YTD Actual July 2022 - December 2022	Expenditure YTD Actual July 2022 - December 2022	Surplus(Deficit) Actual July 2022 - December 2022
Electricity	R 131 213 632,25	R 279 199 247,20	R -147 985 614,95
Water	R 20 552 888,74	R 6 460 488,20	R 14 092 400,54
Refuse	R 5 556 333,13	R 2 610 736,57	R 2 945 596,56
Sewerage	R 9 202 136,38	R 1 598 093,84	R 7 604 042,54
	R 166 524 990,50	R 289 868 565,81	R -123 343 575,31

Actual Capital Acquisition –Part 2

The accumulated expenditure on capital projects amounts to R18 669 580 for the current financial year. This reflects an increase of R7 596 740 when compared to the expenditure for the period ended December 2021 whereby the expenditure was R11 072 840,97.

Retention as at 31 December 2022

CONTRACTOR	PROJECT	CONTRACT AMOUNT	RETENTION WITHHELD	RETENTION PD BACK	RETENSION OWED
Soyamba	Installation of Sanitation Services in Rural Areas	R 1 189 732,00	R 91 546,05	R 45 773,03	R 45 773,03
Tsoga Moephatutsi	Construction and Upgrade of Stormwater Network Phase 3	R 3 400 000,00	R 292 035,82	R 153 659,75	R 138 376,07
ML Sakhile	Standerton Water Works & bulk water Supply Refurbishment	R 1 900 562,00	R 190 056,18	R 95 028,09	R 95 028,09
ZMG	Installation of Bulk Water Infrastructure and Replacement of AC pipes Lekwa Local Municipality	R 15 000 000,00	R 1 099 212,78	R 598 786,01	R 500 426,77
Ngani JV TK Vuwani	Upgrade of Standerton Sewer treatment works	R 24 609 498,00	R 1 797 900,90	R 654 978,77	R 1 142 922,13
Workman Construction and Projects(Turn Key Service Provider)	Installation of water services to informal settlements	R 1 961 400,00	R 196 137,00	R 98 068,50	R 98 068,50
Three 1 Developments (PTY) LTD	Supply & Installation of Electricity Network for 350 Households Extensio	R 5 075 000,00	R 194 866,66	R -	R 194 866,66
Wanga Projects	Rooikopen Pump Station and Construction of the Booster Pump Station within a Pumping Main (Sakhile Extension 4)	R 11 922 814,94	R 1 116 799,00	R -	R 1 116 799,00
ERMSA	Electrification of 35 Houses	R 1 925 000,00	R 189 600,99	R -	R 189 600,99
Thapiwe	Refurbishment and upgrading of combined recycling system at Standertom waste	R 11 810 400,00	R 1 291 268,62	R 1 365 119,16	R -73 850,54
Mbako Projects	Upgrade of Rooikopen sewer	R 6 999 687,75	R 898 855,81	R 349 982,83	R 548 872,98
Workman Construction and Project	Refurbishment and upgrade of portions of Standerton water treatment plant	R 2 288 201,58	R 228 177,25	R 114 088,63	R 114 088,62
Zedek	Refurbishment and/or upgrade of the Standerton Waste Water Treatment Works	R 12 751 117,89	R 1 275 111,69	R 1 275 111,78	R -0,09
TM Consortium	Refurbishment and/or upgrade of Morgenzon & Sivukile Water Treatment Works	R 2 036 397,00	R 156 176,53	R -	R 156 176,53
Mavutha Electrical	Contractor For The Provision of Energy Efficiency Solution For High Masts; Streets	R 5 340 000,00	R 531 892,25	R 265 946,13	R 265 946,12

ASDU Trading and Projects.	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1 000 000,00	R 100 050,69	R 99 543,79	R 506,90
Ngcebo Holdings	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1 000 000,00	R 89,71	R 99 913,26	R -99 823,55
Hlahlathela	Installation of security systems for vulnerable Water, Sanitation and Electricity Infrastructure	R 1 576 126,75	R 157 612,39	R 157 612,75	R -0,36
Zedek	Refurbishment & Upgrade of Morgenzon Sports Facility	R 6 455 757,23	R 645 575,72	R -	R 645 575,72
Capital Power Projects	Electrification of 30 rural Houses	R 3 850 273,34	R 470 775,45	R -	R 470 775,45
ASDU Trading and Projects.	drilling and installation of boreholes	R 1 718 790,00	R 171 879,00	R 85 939,50	R 85 939,50
ASDU Trading and Projects.	The supply deliver and install precast concrete palisade fencing to the morgenzon cemetery	R 1 647 143,85	R 155 657,10	R 164 714,39	R -9 057,29
Mrazane	Construction of o booster Pumping System for the Sivukile Low Pressure Supply Area for Morgenzon	R 2 432 380,10	R 130 308,70	R 93 821,04	R 36 487,66
Mrazane	Installation of Water Services to informal settlements within Lekwa LM	R 860 000,00	R 86 499,07	R -	R 86 499,07
Asgnc Africa (Pty)LTD	Rehabilitation of roads in Lekwa LM	R 7 735 960,56	R 698 048,06	R -	R 698 048,06
Totobela Rloutona	DRILLING OF BOREHOLES AND INSTALLATION OF WINDMILLS WITHIN LEKWA	R 1 312 981,38	R 131 298,04	R 65 649,02	R 65 649,02
Pulefuhlala	Refurbishment and Upgrading of Standerton Bulk Water Supply System.	R 7 411 766,10	R 328 893,92	R -	R 328 893,92
Ntlemo	Refurbishment of Muller, Johan, TLC and Vaal Sewer Pump Stations.	R 6 967 326,01	R 516 357,73	R -	R 516 357,73
Vuxaka Consulting	Refurbishment and Upgrading of Morgenzon and Sivukile Bulk Water Supply.	R 5 216 421,74	R 521 512,34	R 521 512,34	R -
Ermsa	Electrification of 128 RDP in Standerton Extension 8	R 2 038 307,15	R 203 656,84	R -	R 203 656,84
Ermsa	Construction of switching station at Standerton Extension 8	R 10 236 618,00	R 864 430,80	R -	R 864 430,80
Big Family	Refurbishment and upgrade of Mahala Park Soccerfield	R 1 425 136,35	R 102 373,00	R -	R 102 373,00
Big Family	The supply and installation of high security clear view fencing at the standerton square reservoir	R 2 149 476,00	R 211 194,52	R 140 557,32	R 70 637,20
Hlahlathela	The supply , delivery & Installation of High Security Clear View Fencing	R 1 775 737,42	R 177 572,70	R 88 786,34	R 88 786,36
Zedek	Supply, delivery & Install Precast concrete palisade	R 1 906 982,00	R 190 698,15	R 95 349,09	R 95 349,06
TCM Developments	UPGRADING OF THE STANDERTON BULK WATER SUPPLY SYSTEM PHASE2 CONSTRUCTION OF KIESIER PRESSURE TOWER	R 1 099 400,00	R 73 293,33	R -	R 73 293,33
6 TM & S Construction	Coligny Sewer Line Upgrade	R 21 105 982,32	R 1 505 763,45	R -	R 1 505 763,45
TCM Developments	Refurbishments of Rural VIP Toilets	R 961 515,00	R -	R -	R -
			R 16 993 178,24	R 6 629 941,52	R 10 363 236,72

Total retention owed from all projects for current and prior years amounts to R10 363 236.72

Project Description	Source of Funding	Approved Budget Capital Projects 2022/2023	Oct-22	Nov-22	Dec-22	Retention Withheld VAT incl	Retention paid back	Retention owed	YTD
Purchase of 10ton payload truck	MIG	R 2 640 000,00		R 2 640 000,00				R -	R 2 640 000,00
Refurbishment and upgrade of sewer pump stations and coligny sewer line	MIG	R 13 000 000,00	R 2 269 303,72	R 4 082 633,05		R 1 505 763,45		R 1 505 763,45	R 15 057 634,47
Upgrading of the Standerton Bulk Water Supply System phase 2 (construction of kieser reservoir & pressure tower)	MIG	R 13 248 300,00						R -	R -
installation of VIP toilets	MIG	R 1 000 000,00						R -	R -
Reconstruction of tarred roads	MIG	R 500 000,00						R -	R -
Upgrade of roads within Lekwa LM	MIG							R -	R -
Contruotion of booster pump station and pressure tower for sakhile	MIG	R 500 000,00						R -	R -
Upgrade of Standerton Substation A phase 1	INEP	R 7 000 000,00						R -	R -
								R -	
Installation of security systems for vulnerable Water, Sanitation and Electricity Infrastructure	Internal Funding							R -	R -
Fencing of reservoirs	Internal Funding	R 2 000 000,00						R -	R -
Installation of telemetry system to monitor reservoir water levels	Internal Funding	R 2 000 000,00						R -	R -
Procurement of Electrical Equipment	Internal Funding							R -	
Computer software acquisition	Internal Funding	R 500 000,00						R -	
Computer & IT Services	Internal Funding	R 2 000 000,00						R -	R -
Fencing of cemeteries	Internal Funding	R -	R 971 946,00					R -	R 971 946,00
Rehabilitation of roads in Lekwa LM	Internal Funding	R 10 000 000,00						R -	R -
Furniture and equipment	Internal Funding	R 500 000,00						R -	R -
The supply & delivery of 1 x 10Tons	MIG							R -	
								R -	
		R 54 888 300,00	R 3 241 249,72			R 1 505 763,45	R -	R 1 505 763,45	R 18 669 580,47

Disclosure Property Plant & Equipment (Repairs & Maintenance)

Description	Approved Budget 2022 - 23	Monthly Movement December 2022	YTD Actual	% R & M
Building & Structure	R 1 032 404,00	R 120 017,18	R 219 403,51	21%
Plant & Machinery	R 1 821 800,00		R 5 075,95	0%
Furniture & Fixtures	R 500 000,00		R -	0%
Motor Vehicle	R 4 437 200,00	R 38 686,44	R 1 533 222,18	35%
IT Equipments	R -		R -	0%
Roads	R 5 000 000,00		R 1 517 290,00	30%
Electricity Network	R 29 907 000,00	R 109 724,90	R 6 558 974,67	22%
Waste Water Network	R 10 485 800,00	R 26 157,66	R 335 959,11	3%
Water Network	R 11 982 100,00		R 539 468,45	5%
Other, Property Plant & Equipment			R -	#DIV/0!
	R 65 166 304,00	R 294 586,18	R 10 709 393,87	16%
Total Budget Expenditure	R 1 272 167 994,00			
R & M YTD Expenditure	R 10 709 393,87			
R & M % Approved Budget	5%			

The Municipality has to date spent 16% of the total allocated budget towards repairs and maintenance. There expenditure was incurred mainly towards the repairs and maintenance of electricity network, roads, motor vehicles repair, Water network, waster waste network and Building and Structure repairs

Cash Flow Statement – Part 3

The purpose of this statement is to keep an account of the different activities of Council. It also provides information on the mode of generation of funds required for repayment. The cash flow statement also helps to analyze the amount of cash that would be required to meet the operating costs.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The actual receipt (cash) received for the semester ending 31 December 2022 amounts to R374 318 162. The amount includes revenue collected from Property Rates R53 013 021, Electricity R132 986 649, Water R21 609 182, sanitation R11 636 920, Refuse R6 767 596, inter accounts transfers R22 346 548, Transfer receipts operational R113 057 000 and other revenues amounting to R6 447 053.

The actual payments made for the semester ending 31 December 2022 amounts to R356 805 518. The amount includes payment for employee related costs (employees) and councilors amounted to R135 128 846 and R6 815 672 respectively, bulk purchases electricity R53 362 144, bulk water R4 500 000 and contracted services amounting to R48 638 837 as well as inter account transfers amounting to R48 743 156, Capital expenditure amounted to R25 187 190, and general expenses amounted to R54 118 119.

The Municipality's cash flow status for all bank accounts reflects a favorable bank balance of R18 771 629 including a favorable closing balance on primary account of R12 953 940. It should be noted that though the municipality has a favorable bank balance at the end of the reporting month there were still outstanding creditors of R3 154 879 711 as disclosed on the creditors age analysis below.

MONTHLY CASH FLOWS	Budget Year 2022/2023											
	July Actual	August Actual	Sept. Actual	October Actual	November Actuals	December Actuals	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget
Cash Receipts By Source												
Property rates	5 656 009	9 473 867	12 150 117	13 353 738	7 825 500	4 553 790	12 775 517	12 775 517	12 775 517	12 775 517	12 775 517	12 775 517
Service charges - electricity revenue	24 564 079	24 034 619	23 786 175	25 725 198	24 900 672	9 975 906	39 183 724	39 183 724	39 183 724	39 183 724	39 183 724	39 183 724
Service charges - water revenue	2 088 555	3 629 745	5 548 971	5 470 378	3 775 537	1 095 996	1 095 996	1 095 996	1 095 996	1 095 996	1 095 996	1 095 996
Service charges - sanitation revenue	1 321 502	1 906 576	3 050 292	2 696 082	1 773 149	889 319	5 173 821	5 173 821	5 173 821	5 173 821	5 173 821	5 173 821
Service charges - refuse revenue	873 540	930 355	2 365 863	1 081 287	994 508	522 043	1 997 647	1 997 647	1 997 647	1 997 647	1 997 647	1 997 647
Rental of facilities and equipment	122 553	134 921	136 099	128 139	129 237	118 754	140 000	140 000	140 000	140 000	140 000	140 000
Interest earned - external investments	57 145	124 160	108 864	100 580	136 165	123 871	58 333	58 333	58 333	58 333	58 333	58 333
Interest earned - outstanding debtors	490 122	1 165 279	1 054 220	1 204 430	754 428	250 726	3 846 231	3 846 231	3 846 231	3 846 231	3 846 231	3 846 231
Fines, penalties and forfeits	-	-	114 500	-	-	-	433 333	433 333	433 333	433 333	433 333	433 333
Transfer receipts - operational	59 444 000	3 314 000	-	-	-	50 299 000	13 229 475	13 229 475	13 229 475	13 229 475	13 229 475	13 229 475
Inter Accounts Transfers	-	2 542 725	5 364 362	13 869 304	570 157	-	13 869 304	13 869 304	13 869 304	13 869 304	13 869 304	13 869 304
Other revenue	128 571	110 179	587 782	2 782 781	327 561	9 510 179	2 782 781	2 782 781	2 782 781	2 782 781	2 782 781	2 782 781
Cash Receipts by Source	94 746 076	47 366 426	54 267 245	66 411 917	41 186 914	77 339 584	94 586 162	94 586 162	94 586 162	94 586 162	94 586 162	94 586 162
Other Cash Flows by Source												
Transfer receipts - capital	7 000 000	-	-	-	-	-	3 157 358	3 157 358	3 157 358	3 157 358	3 157 358	3 157 358
Total Cash Receipts by Source	101 746 076	47 366 426	54 267 245	66 411 917	41 186 914	77 339 584	97 743 520	97 743 520	97 743 520	97 743 520	97 743 520	97 743 520
Cash Payments by Type												
Employee related costs	22 436 817	22 334 955	21 514 392	22 211 568	23 037 162	23 593 952	25 456 550	25 456 550	25 456 550	25 456 550	25 456 550	25 456 550
Remuneration of councillors	1 084 522	1 102 572	1 156 875	1 106 813	1 227 824	1 137 066	1 085 345	1 085 345	1 085 345	1 085 345	1 085 345	1 085 345
Bulk purchases - Electricity	12 590 922	5 041 964	3 836 050	6 195 682	6 315 140	19 382 386	39 163 758	39 163 758	39 163 758	39 163 758	39 163 758	39 163 758
Bulk purchases - Water	500 000	-	500 000	1 500 000	500 000	1 500 000	5 258 676	5 258 676	5 258 676	5 258 676	5 258 676	5 258 676
Other materials	510 268	502 244	996 543	1 473 078	1 656 704	359 907	3 264 591	3 264 591	3 264 591	3 264 591	3 264 591	3 264 591
Contracted services	12 207 033	8 168 673	9 873 244	6 276 758	8 152 132	3 960 997	10 032 732	10 032 732	10 032 732	10 032 732	10 032 732	10 032 732
Inter Accounts Transfers	37 979 156	-	3 000 000	7 764 000	-	-	-	-	-	-	-	-
Other expenditure	9 365 852	7 376 721	8 334 765	7 642 021	2 828 468	18 354 410	5 077 765	5 077 765	5 077 765	5 077 765	5 077 765	5 077 765
Cash Payments by Type	96 674 570	44 527 129	49 211 869	54 169 920	43 717 430	68 288 718	89 339 417	89 339 417	89 339 417	89 339 417	89 339 417	89 339 417
Other Cash Flows/Payments by Type												
Capital assets	7 540 369	5 974 418	4 110 537	3 241 250	3 241 249	1 079 367	4 574 000	4 574 000	4 574 000	4 574 000	4 574 000	4 574 000
Total Cash Payments by Type	104 214 939	50 501 547	53 322 406	57 411 170	46 958 679	69 368 085	93 913 417	93 913 417	93 913 417	93 913 417	93 913 417	93 913 417
NET INCREASE/(DECREASE) IN CASH HELD	- 2 468 863	- 3 135 121	944 839	9 000 747	- 5 771 765	7 971 499	3 830 103	3 830 103	3 830 103	3 830 103	3 830 103	3 830 103
Cash/cash equivalents at the month/year	6 412 604	3 943 741	808 620	1 753 459	10 754 206	4 982 441	12 953 940	16 784 043	20 614 146	24 444 249	28 274 352	32 104 455
Cash/cash equivalents at the month/year	3 943 741	808 620	1 753 459	10 754 206	4 982 441	12 953 940	16 784 043	20 614 146	24 444 249	28 274 352	32 104 455	35 934 558

Debtors Age Analysis & Debtors Payment Statistics – Part 4 a & b

The debtor's age analysis analyses amounts owed by customers for services rendered by the municipality according to the length of time that those amounts have remained unpaid.

The debtors balance for the reporting period amount to R1 752 329 234.27. Outstanding Debtors that are older than 90 days' amounts to R1,5 billion of the total outstanding debts. The debtor's balance has increased by R300 million from R1,4 billion to R1,7 billion when compared to the prior month ending December 2021

The debt from households amounts to R1.2 billion, government to R 29 million while business owed R292 million, and other customers owed an amount of R 188 million. Electricity contributes R230 million of the outstanding debt, Property assessment rates R389 million, Water R325 million, Wastewater R156 million, refuse R118 million the income from other sources R121 million while interest on arrears amounts to R 431 million.

MP305 Lekwa - Supporting Table SC3 Monthly Budget Statement - aged debtors - M10 April

Description	NT Code	Budget Year 2020/21										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		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	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	9 090	5 412	4 958	4 893	4 361	4 405	23 749	268 702	325 569	306 109		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	47 067	8 218	8 130	7 525	3 868	4 771	20 585	129 877	230 041	166 626		
Receivables from Non-exchange Transactions - Property Rates	1400	20 553	9 054	8 680	8 392	8 124	7 623	36 363	270 350	369 140	330 853		
Receivables from Exchange Transactions - Waste Water Management	1500	5 939	2 466	2 242	2 293	2 259	2 110	10 351	128 992	156 651	146 004		
Receivables from Exchange Transactions - Waste Management	1600	4 488	1 825	1 746	1 968	1 681	1 591	7 722	97 510	118 531	110 473		
Receivables from Exchange Transactions - Property Rental Debtors	1700									-	-		
Interest on Arrear Debtor Accounts	1810	18 141	8 336	8 191	7 385	7 275	6 552	29 914	345 335	431 129	396 460		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-		
Other	1900	7 086	(7 745)	2 177	2 312	1 920	706	9 330	105 483	121 269	119 752		
Total By Income Source	2000	112 364	27 565	36 124	34 768	29 488	27 759	138 013	1 346 250	1 752 329	1 576 277	-	-
2019/20 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	2 552	(4 179)	2 119	2 215	2 098	663	8 790	15 358	29 617	29 125		
Commercial	2300	57 758	11 324	11 541	9 559	6 636	6 833	33 804	155 522	292 977	212 353		
Households	2400	42 847	16 225	18 407	17 951	16 760	16 365	78 831	1 034 342	1 241 728	1 164 250		
Other	2500	9 206	4 196	4 057	5 042	3 994	3 897	16 588	141 029	188 007	170 549		
Total By Customer Group	2600	112 364	27 565	36 124	34 768	29 488	27 759	138 013	1 346 250	1 752 329	1 576 277	-	-

Debtors Breakdown per Ward

WARD	202212 (Current)	202211 (30 Days)	202210 (60 Days)	202209 (90 Days)	202208 (120 Days)	202207 (150 Days)	202206 (180 Days)	Over 1 Jaar	Total
	R 32 709 591,55	R 31 023 048,14	R 12 719 776,46	R 16 288 293,35	R 14 796 446,73	R 11 664 949,83	R 11 570 821,12	R 551 013 702,36	R 681 786 629,54
WARD 1	R 1 312 661,58	R 1 147 456,63	R 1 256 498,47	R 1 259 251,40	R 1 217 706,62	R 1 210 852,12	R 1 127 655,78	R 78 836 248,43	R 87 368 331,03
WARD 2	R 1 354 010,11	R 1 185 468,61	R 897 467,93	R 1 245 522,80	R 1 231 880,72	R 1 240 664,51	R 1 141 680,25	R 69 835 015,23	R 78 131 710,16
WARD 3	R 1 077 855,93	R 544 793,09	-R 1 196 091,77	R 1 071 428,05	R 1 098 680,84	R 1 069 135,35	R 1 006 468,24	R 61 126 613,08	R 65 798 882,81
WARD 4	R 7 858 913,98	R 4 276 738,86	R 4 378 648,46	R 3 617 174,55	R 3 834 451,54	R 2 763 036,46	R 2 863 082,02	R 62 210 537,77	R 91 802 583,64
WARD 5	R 1 802 455,13	R 1 592 876,61	R 1 711 746,15	R 1 713 911,71	R 1 665 051,83	R 1 656 388,04	R 1 462 476,31	R 108 277 285,87	R 119 882 191,65
WARD 6	R 969 936,61	R 849 379,43	R 914 397,65	R 898 376,13	R 873 625,85	R 870 802,22	R 811 845,67	R 64 718 814,77	R 70 907 178,33
WARD 7	R 532 247,49	R 477 896,62	R 510 657,37	R 508 503,97	R 499 933,88	R 490 337,76	R 458 547,21	R 34 292 649,76	R 37 770 774,06
WARD 8	R 4 818 393,97	R 3 672 926,19	-R 477 783,47	R 2 532 167,92	R 2 418 260,14	R 2 267 625,29	R 2 131 371,95	R 44 605 236,32	R 61 968 198,31
WARD 9	R 48 936,58	R 48 029,82	R 346 869,72	R 344 269,63	R 340 517,56	R 338 168,12	R 318 626,50	R 2 234 396,29	R 4 019 814,22
WARD 10	R 1 942 081,33	R 1 499 698,67	R 725 324,69	R 1 094 525,01	R 1 201 020,96	R 468 455,97	R 4 048,60	R 15 323 931,64	R 22 259 086,87
WARD 11	R 1 739 591,80	R 2 098 054,90	R 1 771 945,06	R 1 679 673,16	R 1 617 981,17	R 1 604 264,19	R 1 495 504,93	R 112 076 504,01	R 124 083 519,22
WARD 12	R 118 999,33	R 113 455,24	R 114 781,23	R 108 585,09	R 105 751,50	R 105 327,57	R 97 696,03	R 5 172 453,48	R 5 937 049,47
WARD 13	R 1 440,21	R 1 338,25	R 630,38	R 629,90	R 614,62	R 614,17	R 577,38	R 53 268,85	R 59 113,76
WARD 14	R 1 921 000,91	R 1 724 685,21	R 1 854 083,34	R 1 809 855,78	R 1 810 065,99	R 1 867 170,78	R 1 521 703,38	R 137 760 626,62	R 150 269 192,01
WARD 15	R 2 080 366,57	R 1 819 258,35	R 2 036 014,31	R 1 951 724,58	R 2 055 678,57	R 1 869 777,11	R 1 746 406,01	R 136 727 101,90	R 150 286 327,40
	R -	R -	R -	R -	R -	R -	R -	-R 1 348,21	-R 1 348,21
TOTAL	R 60 288 483,08	R 52 075 104,62	R 27 564 965,98	R 36 123 893,03	R 34 767 668,52	R 29 487 569,49	R 27 758 511,38	R 1 484 263 038,17	R 1 752 329 234,27

Debtors Payment Statistics – Part 4 (b)

The table shows the amount collected by the municipality for service rendered against the service charges billing.

A collection rate for the first semester ended 31 December 2022 is averaged at 61%. The levied amount for the first half of the financial year is R355 677 811.23 and R216 326 214.71 of that amount was collected. This indicates a revenue loss of R139 351 596.50.

Reporting Month	Levied Amount	Revenue Collected	Collection Rate
Jul-22	R 60 837 936,47	R 34 808 257,11	57%
Aug-22	R 58 624 377,71	R 35 215 028,22	60%
Sep-22	R 60 145 455,66	R 39 723 994,66	66%
Oct-22	R 54 571 374,85	R 52 369 305,58	96%
Nov-22	R 58 820 856,34	R 38 465 784,86	65%
Dec-22	R 62 677 810,20	R 15 743 844,28	25%
Total	R 355 677 811,23	R 216 326 214,71	61%

Payment Statistics Revenue Streams

July 2021 - June 2022			
Revenue Stream	Revenue Collected	Revenue Levied	Collection Rate
Electricity	R 131 213 632.25	R 176 168 123.12	74%
Water	R 20 552 888.74	R 46 710 758.57	44%
Refuse	R 5 556 333.13	R 14 298 662.23	39%
Sewerage	R 9 202 136.38	R 19 717 496.28	47%
Rates	R 53 064 126.98	R 84 590 167.36	63%
Interest	R 4 920 333.15	R 49 395 614.52	10%
	R 224 509 450.63	R 390 880 822.08	

In an effort to ensure that there is a continuous implementation of debt collection, a plan should be developed that will focus on the various categories of customers (business, residential, government, farms etc) with clear time frames and clear activities to be embarked on. The plan should also include the various resources required (human resources, vehicles, machinery & equipment, etc.) to enable the implementation of debt collection.

An area of concern is the high litigation and court interdict against the Municipality for illegally disconnecting customers. A procedure manual should be developed in line with credit control & debt collection policy that will outline activities that needs to be performed prior a customer is disconnected or handed over to the attorneys for collection. These activities may include amongst others issuing of notice, correcting accounts where there is an objection, addressing issues of the prescribed debt in line with the Prescription Act as well as the Municipal Systems Act.

Whilst the Municipality is implementing debt collection, it is imperative that a Customer Care Unit be established to address customer queries as well as building the consumer confidence.

Creditors Age Analysis– Part 5

The creditors age analysis indicates an analysis of unpaid received invoices, aged by due date. The creditors are broken down into eight ageing periods.

The Creditors Age Analysis shows an outstanding amount of R3 122 055 828 of which R1 899 357 118 is owed to Eskom. The municipality has taken several initiatives to ensure that the arrears amount owed to Eskom is paid. The Mpumalanga Department community safety, security and liaison has an outstanding amount of R75 508 057. The latest outstanding amount for Department of Water and Sanitation is R1 118 231 113.

The Municipality had numerous engagements with the Department of Water & Sanitation during the year of 2019, where the Department has conceded that they have incorrectly billed the Municipality since 2015. The Department has committed to correcting the account and passing the necessary correcting adjustments. This will significantly reduce the outstanding debts.

The Municipality's outstanding trade creditors amounts to R13 245 546. The Municipality has no outstanding amount owed to the Auditor General for the reporting period. The Municipality has retention withheld amounting to R10 363 236.

The Municipality owes SARS R585 885 in relation to PAYE and has a credit of R0 relating to VAT. The Municipality does not maintain sufficient working capital thus resulting in statutory payments and some other creditors not being paid timeously. The outstanding creditors are continuously increasing thus indicating that the Municipality is entering into obligations that it's unable to service. Unless all interventions are implemented (Revenue enhancement strategy, financial recovery, cost curtailments & installation of smart meters) the Municipality will face a severe financial sustainability issues & distress, that might require the Municipality to consider interventions as entrenched within the Municipal Finance Management Act.

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Bulk Electricity	28 459 151	39 687 496	18 793 371					1 812 417 100	1 899 357 118
Bulk Water			5 315 182		19 056 369			1 093 859 562	1 118 231 113
PAYE deductions					585 885				585 885
VAT(Output less input)									0
Retirement deductions									0
Loan repayments									0
Trade Creditors	0	1 088 207	2 626 769	127 478	9 403 092				13 245 546
Auditor General		3 639 272	1 339 681						4 978 953
Retention Withheld	764 358	326 017	400 851	161 886	116 471	0	315 057	8 064 516	10 363 236
Mpumalanga Dept Transp		0	0				0	75 508 057	75 508 057
Total	29 223 509	44 740 992	28 475 854	289 364	29 161 817	0	315 057	2 989 849 235	3 122 055 828

External Investment (Call accounts) – Part 6

The table indicates the investments and movements on the municipality's grants call accounts.

Closing balance on all call accounts as at 31 December 2022 amounts to R18 771 629,91. Municipality for the reporting month has accrued interest of R123 870,73 on all call accounts with a year-to-date interest capitalized of R559 093,85.

REF Sheet	Name of Institution	Account Description	Type of Investment	Opening Balance	YTD Interest Earned	Movement	Closing Balance per Statement 31/12/2022
#003-37881152036MIG NEDBANK'IA1	Nedbank	MIG	Short Term Deposit	4 605 282.08	448 554.33	11 237 511.05	16 291 347.46
#005-037881152095 FMG NEDB'IA1	Nedbank	FMG	Short Term Deposit	1 024.32	26.16	-	1 050.48
#006-037881153059-INEP NEDB'IA1	Nedbank	INEP	Short Term Deposit	3 594 427.60	49 446.89	2 533 056.00	1 110 818.49
#007-037881152060-WSG NEDB'IA1	Nedbank	WSIG	Short Term Deposit	1 269.58	26.69	-	1 296.27
#008-037887752079-SETA NEDB'IA1	Nedbank	SETA	Short Term Deposit	124 067.29	3 205.37	-	127 272.66
#009-037881152028-EPWP NEDB'IA1	Nedbank	EPWP	Short Term Deposit	97 319.03	6 674.14	464 000.00	567 993.17
#010-37881152001-Ring Elec NEDB'IA1	Nedbank	Ring Elec	Short Term Deposit	8 239.49	15 746.29	-	23 985.78
#011-37881152087-Electr Gra NED'IA1	Nedbank	Electricity Grant	Short Term Deposit	72 050.13	1 861.25	-	73 911.38
#012-37881151994-Retent NED'IA1	Nedbank	Retention	Short Term Deposit	3 849.89	9 570.23	463 018.99	476 439.11
#013-37881152109-Inter Pro NED'IA1	Nedbank	Internally Funded Projects	Short Term Deposit	11 450.58	23 982.50	62 082.03	97 515.11
Total				8 518 979.99	559 093.85	9 693 556.07	18 771 629.91

Interest earned on the primary account and call accounts amounted to R123 870,73 for the reporting month ending 31 December 2022.

Supply Chain Report (Deviations) – Part 7

The report indicates instances where the municipality did not adhere fully to the requirements of the Supply Chain Management policy when procuring certain goods or services. Deviations approved by the Accounting Officer, do not result in the municipality over spending on the appropriated budget, neither does it reflect any fruitless, wasteful nor unauthorized expenditure. In most cases the deviations are as a result of urgent nature, sometimes limited supplies and or strip and quote situations. For the reporting period, the Municipality incur the following deviations:

DEVIATIONS

ORDER NUMBER	DATE	SUPPLIER	AMOUNT	DESCRIPTION	REASON
42337	10/12/2022	Tomco Electrical & Mechanical	230,848.70	REPAIR OF MINI SUB	MINI SUB HAD TO BE STRIPPED TO PROVIDE THE REAPIR QUOTE. NON ACCEPTANCE OF QUOTE WOULD RESULT IN A CHARGE OF R 35 580.00

Fruitless and wasteful expenditure 3

The Municipality was unable to pay its creditors on time resulting to interest and penalties as per the breakdown.

		2023/06/30
Opening Balance		609 557 734.92
Current Year Fruitless Wasteful Expenditure	R	42 274 430.22
Interest on Arrear Eskom accounts	R	41 853 606.96
Interest on Arrear Water accounts	R	-
Interest on Arrear Telkom, AGSA, SARS, Pension and Munsoft accounts		
Interest on Arrear Telkom Account	R	3 669.50
Interest on Arrear A.G SA Account		
Interest on Arrear PAYE Account		
Interest on Arrear VAT Account	R	3 161.53
Penalties VAT	R	48 940.16
Penalties PAYE	R	356 879.68
Interest on Arrear Nashua Account	R	3 795.55
Interest on Pension Fund	R	4 376.84
Interest on Sanlam Account		
Interest on Muns oft Account		
	R	651 832 165.14

Grants & Subsidies – Part 8

The municipality has to date received R173 265 863.97 on the grants and subsidies as allocated.

	Approved Budget 2022/2023	YTD Allocation Received July - December 2022	Allocation Transferred	Outstanding Allocation
Municipal Infrastructure Grant	R 67 887 863,97	R 56 373 863,97		R 11 514 000,00
Local Government Financial Management Grant	R 2 850 000,00	R 2 850 000,00		R -
Expanded Public Works Programme Integrated Grant for Municipalities	R 1 855 000,00	R 1 299 000,00		R 556 000,00
Equitable shares	R 152 423 000,00	R 109 743 000,00		R 42 680 000,00
Integrated National Electrification Programme Grant	R 7 000 000,00	R 3 000 000,00		R 4 000 000,00
	R 232 015 863,97	R 173 265 863,97	R -	R 58 750 000,00

The Municipality has to date spent an amount of R19 242 570.85 on conditional grants received.

Type of Grant	Unspent Grant 2022 - 23 Financial Year	YTD Allocation Received July - December 2022	YTD Expenditure July - December 2022	Remaining Balance
Municipal Infrastructure Grant	R 35 373 863,97	R 21 000 000,00	R 18 669 580,00	R 37 704 283,97
Local Government Financial Management Grant		R 2 850 000,00	R 452 990,85	R 2 397 009,15
Expanded Public Works Programme Integrated Grant for Municipalities		R 928 000,00	R 120 000,00	R 808 000,00
Integrated National Electrification Programme (Municipal) Grant		R 3 000 000,00	R -	R 3 000 000,00
	R 35 373 863,97	R 27 778 000,00	R 19 242 570,85	R 43 909 293,12

INDIGENT SUPPORT

To date 1731 households are active on registered households for indigent support. The current outstanding debts balances of the registered indigent households amounted to R81 549 594,38 as at 31 December 2022, while subsidies for the current month amounted to R905 148,96.

Wards No.	Number of Active Indigents	Number of Active Indigents
	December 2022	December 2021
Ward 1	146	93
Ward 2	88	63
Ward 3	177	114
Ward 4	76	29
Ward 5	185	91
Ward 6	111	27
Ward 7	133	31
Ward 8	44	29
Ward 10	21	14
Ward 11	249	36
Ward 12	0	4
Ward 13	0	0
Ward 14	237	310
Ward 15	264	70
Total Indigents	1731	952

The municipality has embarked on a program to register indigent households in all wards.

Contracted Services 5

	Approved Budget 2022-23	YTD Actual	YTD Budget	YTD Variance	YTD Variance %
		Dec-22	Dec-22	Dec-22	Dec-22
HIRE OF MACHINES	R 3 582 000,00	R 984 558,00	R 1 791 000,00	R 806 442,00	45%
LEGAL COST	R 12 492 000,00	R 1 548 808,82	R 6 246 000,00	R 4 697 191,18	75%
VALUATION ROLL	R 300 000,00	R 57 231,00	R 150 000,00	R 92 769,00	62%
PREPARATION:AFS	R 3 600 000,00	R 1 144 762,56	R 1 800 000,00	R 655 237,44	36%
VENDING DEBT COLLEC 4.5% OF PRE PAID	R -	R -	R -	R -	
SECURITY SERVICES	R 39 600 000,00	R 15 197 488,75	R 19 800 000,00	R 4 602 511,25	23%
HIRE OF WATER TANKERS	R 700 000,00	R 899 550,00	R 350 000,00	R (549 550,00)	-157%
Accounting Printing and Posting	R 3 123 000,00	R -	R 1 561 500,00	R 1 561 500,00	100%
VENDING MANAGE 4% OF PRE PAID	R 4 575 100,00		R 2 287 550,00	R 2 287 550,00	100%
IT Service Programming	R 12 000 000,00	R 6 083 862,13	R 6 000 000,00	R (83 862,13)	-1%
Insurance Contract	R 2 800 000,00		R 1 400 000,00	R 1 400 000,00	100%
Risk Management software	R 104 100,00	R 83 870,00	R 52 050,00	R (31 820,00)	-61%
Mscoca Conversion	R -		R -	R -	
PMS	R 700 000,00	R -	R 350 000,00	R 350 000,00	100%
Software License	R 260 300,00	R -	R 130 150,00	R 130 150,00	100%
Feasibility Study Renewal Energy	R -	R -	R -	R -	
	<i>R 83 836 500,00</i>	<i>R 26 000 131,26</i>	<i>R 41 918 250,00</i>	<i>R 15 918 118,74</i>	<i>522%</i>

The municipality has for the first half of the year incurred expenditure on contracted services to the value of R26 000 131,26. The expenditure has decreased by R508 945,67 when compared to the reporting period ended 31 December 2021 where the accumulated expenditure was R25 491 185,59.

RECOMMENDATION BY THE EXECUTIVE MAYOR

- (1) That the Report of the Executive Mayor regarding the mid-year assessment report for the first semester ending in December 2022 BE NOTED.
- (2) That an adjustment budget BE PREPARED, based on the mid-year budget and performance assessment report for the period ending December 2023.
- (3) That Management BE WARNED on failure to spend on INEP funding while there are challenges and backlogs of service delivery;
- (4) That grants received BE FULLY utilised taking into consideration the status of the municipality and departments BE PROVIDED with the requested resources to avoid under spending on grants;
- (5) That the Municipal Manager to SUBMIT a report to the Executive Mayor detailing progress made on grants spending every fourth night;
- (6) That the municipality has spent an amount of R19 424 570.85 on conditional grants received, MIG and EPWP BE SPENT before June 2023.
- (7) That EPWP to CATER all Departments in terms of resources and material and same departments to BE PART of the initial planning before the programme is implemented;

- (8) That the provision and maintenance of resources BE PRIORITISED as departments performance are affected by delays on procurement and service providers that fails to provide sustainable services;
- (9) That the CFO to PAY ATTENTION to the SCM Unit to ensure effectiveness and accelerate matters of procurement for the departments to achieve their key performance areas.

Quality Certificate

I MJ LAMOLA, Acting Municipal Manager of Lekwa Local Municipality, hereby certify that the Mid-Year Assessments Report and the supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Acting Municipal Manager of Lekwa Local Municipality MP305

Name: MJ LAMOLA

Signature: _____

Date: _____