

A8 QUARTERLY BUDGET STATEMENT REPORT FOR THE SECOND QUARTER ENDING
DECEMBER 2022 6/1/1- (2022/2023)

Report: Executive Mayor:

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

Section 52 of the MFMA requires that:

(1) The mayor of a municipality—

(a) Must provide general political guidance over the fiscal and financial affairs of the municipality;

(b) In providing such general political guidance, may monitor and, to the extent provided in this Act, oversee the exercise of responsibilities assigned in terms of this Act to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;

(c) Must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;

(d) Must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and

(e) Must exercise the other powers and perform the other duties assigned to the mayor in terms of this Act or delegated by the council to the mayor.

3. DISCUSSION

The content and format of this report for the quarter ended 31 December 2022 is based upon the 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 non-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 quarter amounts to R237 680 340, this amount shows a increase of R13 566 341 comparing to prior second quarter that amounted to R224 113 999. The amount includes revenue generated from property rates R39 126 783, electricity R86 816 726, water R15 839 2000, sanitation services R9 900 271, refuse removal R7 161 065, rental income R376 130, interest earned R356 997 fines R169 270 transfer recognized – operational R50 299 000 and other revenue R1 223 759.

The total operating expenditure for the reporting quarter amounts to R269 057 730, this amount shows an increase of R37 199 146 comparing to the prior first quarter that amounted to R231 858 584. The amount of operating expenditure consists of employee related costs (employees) amounting to R68 842 682, bulk purchases (water and electricity) respectively R997 356 and R 95 595 823, depreciation R21 419 820, finance costs R27 029 724, debt impairment R17 589 975 other materials R2 906 329, contracted services R18 288 937 and operating expenditure amounting R 12 915 380.

The operating deficit for the period amounts to (R31 377 390).

	2021/22 Audited Outcome	Approved Budget 2021 - 2022 MTREF	Prior Year Second Quarter Movement	Second Quarter Movement	Quarterly Variance	YTD Actual	YTD Budget	YTD variance	YTD variance
R thousands									%
Revenue By Source									
Property rates	171 406 855	191 632 756	43 473 874	39 126 783	(4 347 091)	84 799 177	95 816 378,00	(11 017)	-11%
Service charges - electricity revenue	383 292 018	553 181 980	93 521 339	86 816 726	(6 704 613)	176 168 123	276 590 990,00	(100 423)	-36%
Service charges - water revenue	78 080 666	98 388 194	11 307 662	15 839 200	4 531 538	46 710 759	49 194 097,00	(2 483)	-5%
Service charges - sanitation revenue	42 911 636	77 607 312	9 047 705	9 900 271	852 566	19 717 496	38 803 656,00	(19 086)	-49%
Service charges - refuse revenue	27 749 371	29 964 699	6 984 879	7 161 065	176 186	14 298 662	14 982 349,50	(684)	-5%
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	1 720 384	2 100 000	438 374	376 130	(62 244)	769 703	1 050 000,00	(280)	-27%
Interest earned - external investments	575 871	700 000	140 152	356 997	216 845	647 034	350 000,00	297	85%
Interest earned - outstanding debtors	65 440 029	57 693 464	12 625 929	26 411 139	13 785 210	49 408 737	28 846 732,00	20 562	71%
Fines	1 483 464	6 500 000	199 247	169 270	(29 977)	284 570	3 250 000,00	(2 965)	-91%
Transfers recognised - operational	140 933 350	158 753 700	46 089 000	50 299 000	4 210 000	112 593 000	79 376 850,00	33 216	42%
Other revenue	2 460 425	3 023 616	285 838	1 223 759	937 921	320 392	1 511 808,00	(1 191)	-79%
Total Revenue (excluding capital transfers and contributions)	916 054	1 179 545 721	224 113 999	237 680 340	13 566 341	505 717 654	589 772 861	(84 055)	-14%
Expenditure By Type									
Employee related costs	250 098 548	305 228 599	62 673 688	68 842 682	6 168 994	135 780 866	152 614 299,50	(16 833)	-11%
Remuneration of councillors	8 410 860	13 024 138	1 611 362	3 471 703	1 860 341	6 912 008	6 512 069,00	400	6%
Debt impairment	201 588 641	70 359 900	14 275	17 589 975	17 575 700	35 179 950	35 179 950,00	-	-
Depreciation & asset impairment	85 563 373	85 679 276	21 396 994	21 419 820	22 826	42 839 640	42 839 638,00	0	0%
Finance charges	6 053 417	44 305 900	17 617 103	27 029 724	9 412 621	42 274 430	22 152 950,00	20 121	91%
Bulk purchases Electricity	53 384 345	469 965 100	89 340 837	95 595 823	6 254 986	267 544 244	234 982 550,00	32 562	14%
Bulk purchases Water	-	63 104 112	15 657 242	997 356	14 659 886	997 356	31 552 056,00	(30 555)	-97%
Other materials	510 268	39 175 100	2 607 010	2 906 329	299 319	7 422 779	19 587 550,00	(12 165)	-62%
Contracted services	2 160 156	120 392 812	17 867 680	18 288 937	421 257	32 479 750	60 196 406,00	(27 717)	-46%
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	5 294 337	60 933 184	3 072 393	12 915 380	9 842 987	21 501 366	30 466 592,00	(8 965)	-29%
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	613 063 945	1 272 168 121	231 858 584	269 057 730	37 199 146	592 932 388	636 084 061	(43 152)	-7%
Surplus/(Deficit)	302 990 124	(92 622 400)	(7 744 585)	(31 377 390)	(23 632 805)	(87 214 734)	(46 311 200)	(40 904)	0
Share of surplus/ (deficit) of associate									
Surplus/ (Deficit) for the year	302 990	(92 622 400)	(7 744 585)	(31 377 390)	-	(87 214 734)	(46 311 200)		

Trading Services

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

The actual expenditure on capital projects for the reporting quarter amounts to R9 963 882.72 and R404 815.50 retention was paid back. The accumulated expenditure on capital projects amounts to R18 669 580 for the current financial year. This reflects an increase of R4 433 153.72 when compared to the expenditure of the second quarter ending in December 2021 whereby the expenditure was R5 530 729.

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 Moephatusi	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 Extension	R 5 075 000,00	R 194 866,66	-	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 1 116 799,00
ERMSA	Electrification of 35 Houses	R 1 925 000,00	R 189 600,99	-	R 189 600,99
Thapiwe	Refurbishment and upgrading of combined recycling system at Standerton 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 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 a 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
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

Capital Projects for 2022 – 23 Financial Year

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
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 -
Contruction of booster pump station and pressure tower for sakhile	MIG	R 500 000,00						R -	R -
Upgrade of Standerton Substation A phase I	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 Oct - December 2022	YTD Actual	% R & M
Building & Structure	R 1 032 404,00	R 199 256,72	R 219 403,51	21%
Plant & Machinery	R 1 821 800,00	R 499,00	R 5 075,95	0%
Furniture & Fixtures	R 500 000,00		R -	0%
Motor Vehicle	R 4 437 200,00	R 532 687,00	R 1 533 222,18	35%
IT Equipments	R -		R -	0%
Roads	R 5 000 000,00	R 589 523,40	R 1 517 290,00	30%
Electricity Network	R 29 907 000,00	R 117 121,59	R 6 558 974,67	22%
Waste Water Network	R 10 485 800,00	R 33 798,24	R 335 959,11	3%
Water Network	R 11 982 100,00	R 300,00	R 539 468,45	5%
Other, Property Plant & Equipment	R 530 000,00	R -	R -	0%
	R 65 696 304,00	R 1 473 185,95	R 10 709 393,87	16%
Total Expenditure	R 10 709 393,87			
R & M YTD Expenditure	R 10 709 393,87			
R & M % Approved Budget	100%			

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 reporting period amounted to R187 938 415. This reflects a reduction in the revenue collected of R39 540 539 when compared to the Revenue collected of R227 478 954 for the second quarter ended in December 2021. The amount includes revenue collected from Property Rates R25 733 028, Electricity R60 601 776, Water R10 341 911, sanitation R5 358 550, Refuse R2 597 838 inter accounts transfers R14 439 461, grants and subsidies: operational 50 299 000 and grants and subsidies: capital R10 000 000.

The actual payments made for the reporting period amounts to R173 953 816. This shows a decrease of R29 277 684 when compared to the payment made second quarter ended December 2021 which amounted to R203 231 500. The amount includes payment for employee related costs (employees and councilors) respectively of R68 842 682 and R3 471 703, bulk purchases (water and electricity) respectively R3 500 000 and R31 893 208, contracted services amounting to R18 389 887 as well as inter account transfers amounting to R7 764 000 Capital expenditure amounted to R7 561 866 and general expenses amounted to R28 824 899.

The Municipality's cash flow status for all bank accounts reflects a favorable bank balance of R31 725 569 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 122 055 828 as disclosed on the creditors age analysis below.

MONTHLY CASH FLOWS	Budget Year 2022/2023												
	Rands	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	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	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	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	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	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	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	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	3 846 231
Fines, penalties and forfeits	-	-	114 500	-	-	-	433 333	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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 has increased by R 300 million from R 1,4 billion to R1,7 billion when compared to the second quarter ending December 2021. Outstanding Debtors that are older than 90 days amounts to R1,5 billion of the total outstanding debts.

The debtors balance for the reporting month 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 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.

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 Yaar	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 of 62% for the second quarter ending 31 December 2022 and it's a decrease when compared to the second quarter ending December 2021, considering the levied amount of R176 070 041.30 and the actual payments amounting to R106 578 934.70, this indicates revenue loss amounting to R69 491 106.60.

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

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 a 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 quarter has accrued interest of R308 777.60 on all call accounts. The amount of R559 093.85 is the total interest accrued on all call accounts to date for the reporting year 2022/2023.

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 NEDB'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

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 did incur 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 REPAIR QUOTE. NON ACCEPTANCE OF QUOTE WOULD RESULT IN A CHARGE OF R 35 580.00

Grants & Subsidies – Part 8 Received & Expenditure

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

Transfer & Grants Subsidies (Indigent support) 2

To date 1731 households are active on registered households for indigent support compared to a total of 952 for the quarter ended December 2022. 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

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

Contracted Services 4

	Approved Budget 2022-23	YTD Actual Dec-22	YTD Budget Dec-22	YTD Variance Dec-22	YTD Variance % Dec-22
HIRES 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	82 %
PREPARATION:AFS	R 3 600 000,00	R 1 144 762,56	R 1 800 000,00	R 655 237,44	36 %
VENDINGDEBT 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 %
HIRES 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 %
VENDINGMANAGE 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 %
Miscoz 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 -	
	R 33 336 500,00	R 26 000 131,26	R 41 918 250,00	R 15 918 118,74	522 %

Debt Collection 5

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 a 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.

RECOMMENDATION BY THE EXECUTIVE MAYOR

- (1) That the Report of the Executive Mayor regarding the quarterly budget statement for the second quarter ending December 2022 **BE NOTED**.

Acknowledgement of receipt of Quarter Budget Statements (Section 52 Report) for the second quarter ending December 2022.

Acting Municipal Manager of Lekwa Local Municipality MP305

Name: MJ Lamola

Signature: _____

Date: _____

Mayor of Lekwa Local Municipality MP305

Name: DL Thabethe

Signature: _____

Date: _____