

ITEM NO.	SUBJECT	REF
	DC29 QUARTERLY CONSOLIDATED BUDGET STATEMENT – MARCH 2022	

**REPORT TO:** EXCO / COUNCIL

**DATE:** 19 APRIL 2022

**DIRECTORATE:** FINANCE

**AUTHOR:** **MANAGER: BUDGET AND COMPLIANCE**

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**1. PURPOSE**

To provide the Finance Portfolio Committee with the monthly budget assessment for the period ended 31 March 2022 in terms of Section 52 (d) and Section 71 of the Municipal Finance Management Act.

**2. DELIBERATION(S)**

**2.1 Background**

In terms of section 52(d) of the MFMA, the mayor of a municipality must, within 30 days at 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.

These assessments are to provide a high level report regarding the state of the budget. In addition, monthly reports are tabled in terms of section 71 of the MFMA. This is to apprise council of the financial status as well as the status of operations within the municipality.

The report must highlight the implementation of the budget, touching on the ff:

- The financial performance of the municipality,
- Capital expenditure and funding sources,
- The financial position of the municipality,
- The cash flow analysis,
- The debtors age analysis, and
- The creditors age analysis

## **2.2 Financial Management Review**

The report will be structured as follows:

### **2.2.1 In Year Report**

- Executive Summary
- Resolutions
- In year budget statement tables

### **2.2.2 Supporting Documentation**

- Material variance explanation
- Performance indicators
- Debtors' Analysis
- Creditors' Analysis
- Investment portfolio analysis
- Allocation and grant receipts and expenditure
- Allocation and grant expenditure
- Council and employee benefits
- Capital Expenditure Trend
- Municipal Manager's quality certification

### **2.2.1 In - Year Report**

#### **Executive Summary**

This will be discussed under these broad headings:

- a) Financial Performance
- b) Capital Expenditure and Funding Sources
- c) Financial Position
- d) Cash Flows
- e) Debtors Age Analysis
- f) Creditors Age Analysis
- g) Annual Financial Statements

## a) Financial Performance

DC29 iLembe - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March										
Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		189 281	197 880	209 259	18 285	155 074	156 944	(1 870)	-1%	209 259
Service charges - sanitation revenue		51 664	62 798	67 211	5 340	49 581	50 408	(827)	-2%	67 211
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		703	671	6	-	-	4	(4)	-100%	6
Interest earned - external investments		10 822	12 372	12 372	1 172	8 458	9 279	(821)	-9%	12 372
Interest earned - outstanding debtors		41 233	39 582	20 520	2 517	15 569	15 390	178	1%	20 520
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		54	135	132	(10)	86	99	(13)	-13%	132
Licences and permits		1	12	23	20	31	17	14	84%	23
Agency services		1 936	2 256	1 982	-	1 486	1 486	(0)	0%	1 982
Transfers and subsidies		714 424	635 194	662 264	181 467	635 924	496 698	139 226	28%	662 264
Other revenue		6 862	8 826	7 879	622	3 795	5 909	(2 114)	-36%	7 879
Gains		164	84 063	123 056	981	1 056	92 292	(91 236)	-99%	123 056
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 017 144</b>	<b>1 043 790</b>	<b>1 104 703</b>	<b>210 395</b>	<b>871 061</b>	<b>828 527</b>	<b>42 533</b>	<b>5%</b>	<b>1 104 703</b>
<b>Expenditure By Type</b>										
Employee related costs		246 916	270 730	265 099	21 178	191 098	198 824	(7 726)	-4%	265 099
Remuneration of councillors		8 921	10 474	11 166	723	6 369	8 375	(2 006)	-24%	11 166
Debt impairment		106 835	19 216	19 456	14 412	14 412	14 592	(180)	-1%	19 456
Depreciation & asset impairment		138 313	116 457	116 357	11 264	99 495	87 267	12 227	14%	116 357
Finance charges		5 953	6 875	5 423	576	4 167	4 067	100	2%	5 423
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-
Inventory consumed		238 721	212 828	254 984	176 233	183 608	191 238	(7 630)	-4%	254 984
Contracted services		161 428	142 353	177 894	21 887	103 941	133 421	(29 480)	-22%	177 894
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Other expenditure		130 206	127 793	138 238	10 271	94 370	103 678	(9 309)	-9%	138 238
Losses		4 357	123 015	112 710	-	740	84 533	(83 793)	-99%	112 710
<b>Total Expenditure</b>		<b>1 041 650</b>	<b>1 029 740</b>	<b>1 101 328</b>	<b>256 543</b>	<b>698 200</b>	<b>825 996</b>	<b>(127 796)</b>	<b>-15%</b>	<b>1 101 328</b>
<b>Surplus/(Deficit)</b>										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		238 082	236 859	246 771	168 012	168 739	27 419	141 320	0	246 771
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	2 273	2 273	-	2 634	253	2 381	0	2 273
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>213 576</b>	<b>253 182</b>	<b>252 420</b>	<b>121 863</b>	<b>344 234</b>	<b>30 203</b>			<b>252 420</b>
Taxation		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>213 576</b>	<b>253 182</b>	<b>252 420</b>	<b>121 863</b>	<b>344 234</b>	<b>30 203</b>			<b>252 420</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>213 576</b>	<b>253 182</b>	<b>252 420</b>	<b>121 863</b>	<b>344 234</b>	<b>30 203</b>			<b>252 420</b>
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		<b>213 576</b>	<b>253 182</b>	<b>252 420</b>	<b>121 863</b>	<b>344 234</b>	<b>30 203</b>			<b>252 420</b>

This refers to the revenue and expenditure statement, it provides financial information on operating revenue by source and operating expenditure by type and the net results i.e. surplus or deficit is determined. The Operational Revenue for the month of March 2022 was R 210.3 million while the Operating Expenditure was R 256.5 million. Operating for the month of March resulted on a deficit, amounting to R 46.1 million, however with year to date the operating surplus is R 121.9 million. This surplus is attributable from the equitable that has been received to date and the expenditure in relation to has not yet been incurred as per the planned activities.

Below are the explanation of the variance of items as reflected on the Table C4 above.

## **REVENUE BY SOURCE**

### **i) Service Charges**

#### **a. Water services**

The water service charges budgeted to be expended by 31 March 2022 was R 156.9 million, while the total billed to consumers was R 155.1 million resulting to 1% variance below targeted revenue. The variance is within the norm of +-10% which is acceptable. This is due to the additional areas that were read in previous months which were estimated and are currently read by the services provider that the municipality has appointed in order to assist as the municipal Meter Readers are not enough to cover all areas with the community of Ilembe District Municipality and new connections.

#### **b. Sanitation Revenue**

The year to date anticipated billing on sanitation service charges was R 50.4 million, while the total billed to date amount to R 49.4 million resulting on a favourable variance of 2% below anticipated due to Ithala Bank tariff adjustment made in September 2021. The variance is within the norm of +-10%.

### **ii) Rental of facilities and equipment**

This is an income from renting out of the IDM Auditorium Hall to the public for events and rental of tunnels at Enterprise iLembe. Billing as at end of March 2022 was NIL resulting in a variance of 100% below anticipated of R4 thousand. This item has been adjusted to R6 thousand during adjusted budget 2022.

### **iii) Interest Earned – External Investments**

This refers to interest earned in the external investments of the municipality. The actual as at 31 March 2022 was R 8.4 million, resulting in a negative variance of 9% below anticipated of R 9.2 million. This variance is due to amounts invested are of a short term period where the interest rate is low.

**iv) Interest Earned – Outstanding Debtors**

This is the interest charged on consumer accounts in arrears, as at the end of March 2022. The amount billed was R15.6 million, while the target was R15.4 million, and this resulted on a 1% variance above target. This item will always vary, as payment on debtors is dependent on various factors. This is due to interest for two months that has been waived to all consumers and also the debt write off amount to R70 million that was completed in October 2021. The municipality continues to implement the approved credit control and debt collection policy with adjustments due to riot. This item has been adjusted downwards during adjustment budget.

**v) Fines, Penalties and Forfeits**

This items includes items such as tempering fees, illegal connections. Billing on this item was R86 thousand as at 31 March 2022, resulting a variance of 13% below target. The municipality does not have direct control on the income derived from this item it depends on default from consumers.

**vi) Licence and Permits**

This item relates to Atmospheric licence fees issued by the municipality and it is only billed as and when consumers come and apply for it. As at end of March 2022, the amount billed is R31 thousand resulting to a variance of 84% above target. The municipality does not have direct control on the income derived from this item it depends on default from consumers.

**vii) Agency services**

This item relates to fees charged Siza water, and as at 31 March 2022 was R1.4 million, while the target was R 1.4 million as result this item resulted on a nil variance against the target.

**viii) Other Revenue**

Included on this item is the revenue received from shared services, clearance certificates, and sale of tender documents, etc. The actual revenue for the period ended March 2022 on this category was R 3.8 million translating to 36% below a target of R 5.9 million. The variance is mainly attributable to the low

revenue recognised on items like shared services which are billed before end of the year.

**viii) Gains**

This items refers to water purified by Ilembe District Municipality, forex gain through the Microsoft operating Licence acquired by the municipality. The total budget for this item is R123 million. The anticipated expenditure is R92.2 million with R75 thousand actual to date. Water purified by the municipality has not been captured into the system due to delays in the finalisation of its methodology to ensure that the measurement is accurate and is aligned with GRAP 12. An amount R396 thousand has been realised resulted from the gain whereby the dollar was weaker when compared to the rand value and R660 thousand due to the sale of vehicles that was traded in when purchasing vehicles for the office bearers.

Overall revenue year to date billing was at 5% above anticipated month to date revenue billing. The main contributor to this net positive variance is due to the various reasons mentioned above.

**EXPENDITURE BY TYPE**

**x) Employee Related Costs**

This item relates to employee related costs booked in for the district and its entity, as at 31 March 2022, the total expended was R 191.1 million resulting in a 4% variance below a month to date target of R198.8 million. The variance is mainly attributable to vacant posts arising from terminations and resignations, these posts were advertised and the process to fill them is anticipated to be completed before end of the financial year. However the variance is within acceptable norm of +/-10%.

**xi) Remuneration of councillors**

This item relates to remuneration of Councillors. The actual expenditure as at March 2022 was R 6.4 million, while the target was R 8.4 million resulting in variance of 24% below target. This variance is attributable from the fact that the increase on cost of living was taken into account during the preparation of adjusted budget, whereas the actual payment has not considered that.

**xii) Debt Impairment**

This item relates to amount budgeted for contribution to the provision for doubtful debt in line with GRAP. The year to date actual on this item is R14.4 million this is increase in provision for the debtors who might not honour their debt. This amount is subject to change due to the calculation that Revenue enhancement expert will undertake after the analysis of consumer debtors has been completed. It should be noted that the municipality had a debt write off amount to R70 million during the current financial year.

**xiii) Depreciation and Asset Impairment**

This category records the actual depreciation and asset impairment as per the requirements of GRAP and MFMA. This is a non-cash item and will therefore not affect cash flow. The actual as at March 2022 was R 99.4 million resulting on a 14% variance above for the target of R 87.3 million. The municipality had a depreciation of R116 million audited which was used as a bases of the current budget depreciation after taking into account the depreciation for the period as per the asset management policy, however in its audited AFS June 2021 is R138 million. Furthermore the current year depreciation of R116 million will need to be adjusted upwards considering the last year's depreciation and current year fixed assets to be acquired. Whilst there would be reduction during the year where disposals are effected, movements will be adjusted during the Adjustment Budge process. The impairment of assets is done once annually and that will determine the realistic impairment against the provision against the budget.

**xiv) Finance Charges**

This is interest paid by the municipality to Financial Institutions for money borrowed by the municipality from those institutions. The expenditure anticipated for the period ended 31 March 2022 was R 4.0 million, while the actual incurred for this period was R 4.1 million, which is below the target by 2%. This is within the acceptable norm of +/- 10%.

**xv) Inventory Consumed**

This item refers to the expenditure relating to repairs and material and water that has been issued to the community. The expenditure at the end of March 2022 on this item amounted to R 183.6 million, against the target of R 191.2 million resulting in a variance of 4% below target. Furthermore, within this item a budget allocation of R11.0 million was allocated for repairs done internally with actual to date of R8.9 million which is above the anticipated of R8.3 million as at March 2022. The water issued amount to R174.7 million against the target of R182.9 million (5%), this has been estimated from the bulk water purchase only. This item is also aligned to repairs and maintenance that is done regularly.

The main challenges experienced during the half year is as follows:

- Water outages in part of KwaDukuza, Ndwedwe and Maphumulo
- Mains break on pumping lines
- Malfunction of control valves
- Water leaks in various areas
- Water pressure issues.

Progress on repairs and maintenance reports are submitted to various Council committees on a monthly basis. It is evident from these reports that the municipal infrastructure has aged, however the capital budget includes projects in progress to eradicate this problem. MFMA Circular 71 is requires that 8% of the Property Plant and Equipment should be allocated for repairs and maintenance. Considering the level of collection on revenue and the financial constraint prevalent, the municipal cannot afford the 8% as per the MFMA Circular. This is due to various factors, the level of collection rate which is impacted by a pace which consumers pay for services. Nevertheless, Technical Services department remains responsible to ensure that no water interruptions occur within the iLembe jurisdiction.

**xvi) Contracted Services**

This item consist of all contracted services of the municipality like electrical repairs, bulk maintenance, catering, grass cutting etc. The total budget for this item is R177.8 million and the actual expenditure as at 31 March 2022 was R 103.9 million which is 22% below the anticipated expenditure of R 133.4 million. This variance is attributed from the programmes that have been budgeted for budget there has been no expenditure to date, i.e. Maphumulo sites transfer, Call centre, internal



audit, telemetry, replacement filter KZ291, pump maintenance, KwaShushu EDTA (Grant). This expenditure will pick during the course of the financial year as the budget will be reshuffled to prioritise the areas that are critical.

**xvii) Other Expenditures**

This item consist of various running operation expenses of the municipality. The total budget is R138.2 million and actual expenditure as at 31 March 2022 the actual expenditure on this item was R94.4 million which resulted to a negative variance of 9% when compared to R103.6 million anticipated. The variance is due to the programmes that has not yet taken place, i.e. MICT seta training, protective clothing, and other projects are due to that since most of meetings, conferences are done online there are savings on those items, i.e. Subsistence travel, training, etc. This variance is however acceptable as it is within the norm of +/-10%.

**xviii) Losses**

This item relates to the Water losses incurred through overflows of reservoirs, repairs of burst pipes, metering inaccuracies, service connection leaks and illegal connections and other, loss on Microsoft operating licence acquired. The water losses was not yet recognised into the system due to the delays developing water methodology, however an amount of R740 thousand was a loss on Microsoft operating Licence derived from the rand value being weaker when compared to the American dollar and the loss on transport assets (EI).

## b) Capital Expenditure and Funding Source

DC29 iLembe - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M09 March											
Vote Description	Ref	2020/21	Budget Year 2021/22								
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
<b>R thousands</b>	1										
<b>Capital Expenditure - Functional Classification</b>											
<b>Governance and administration</b>		15 490	15 871	14 792	2 466	7 784	11 094	(3 310)	-30%	14 792	
Executive and council		-	-	-	-	-	-	-	-	-	
Finance and administration		15 490	15 871	14 792	2 466	7 784	11 094	154.50	(3 310)	-30%	14 792
Internal audit		-	-	-	-	-	-	-	-	-	
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	
Community and social services		-	-	-	-	-	-	-	-	-	
Sport and recreation		-	-	-	-	-	-	-	-	-	
Public safety		-	-	-	-	-	-	-	-	-	
Housing		-	-	-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	-	-	
<b>Economic and environmental services</b>		3 852	2 750	8 325	-	911	6 244	(5 333)	-85%	8 325	
Planning and development		3 852	2 750	8 325	-	911	6 244	(5 333)	-85%	8 325	
Road transport		-	-	-	-	-	-	-	-	-	
Environmental protection		-	-	-	-	-	-	-	-	-	
<b>Trading services</b>		221 590	216 764	226 580	15 176	152 977	169 935	(16 958)	-10%	226 580	
Energy sources		-	-	-	-	-	-	-	-	-	
Water management		187 335	142 943	151 019	10 551	99 099	113 264	(14 165)	-13%	151 019	
Waste water management		34 254	73 821	75 561	4 625	53 878	56 671	(2 793)	-5%	75 561	
Waste management		-	-	-	-	-	-	-	-	-	
<b>Other</b>		-	-	-	-	-	-	-	-	-	
<b>Total Capital Expenditure - Functional Classification</b>	3	240 932	235 386	249 697	17 642	161 672	187 273	(25 600)	-14%	249 697	
<b>Funded by:</b>											
National Government		206 382	205 964	191 570	13 246	146 878	143 677	3 200	2%	191 570	
Provincial Government		3 013	-	23 014	-	727	17 260	(16 533)	-96%	23 014	
District Municipality		-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	
<b>Transfers recognised - capital</b>		209 395	205 964	214 584	13 246	147 605	160 938	(13 333)	-8%	214 584	
<b>Borrowing</b>	6	4 142	-	-	-	-	-	-	-	-	
<b>Internally generated funds</b>		27 395	29 421	35 113	4 396	14 067	26 335	(12 268)	-47%	35 113	
<b>Total Capital Funding</b>		240 932	235 386	249 697	17 642	161 672	187 273	(25 600)	-14%	249 697	

The Municipality budgeted a total of R 235.3 million for capital budget in the 2021/2022 financial year and revised to R249.7 million through adjusted budget. As of 31 March 2022, the total capital expenditure was R161.6 million against a targeted budget of R187.2 million. The variance is 14% however the expenditure on National grants related projects have positive 2% variance above the anticipated with 96% on Provincial Grants below anticipated. A variance of negative 47% is derived from the internally funded projects whereby the variance is this was due to the projects. The Capital expenditure should rise in the coming months when all capital projects are being implemented.

i) **The Grants**

DC29 iLembe - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M09 March										
Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>EXPENDITURE</b>										
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		691 122	635 194	651 748	58 921	479 640	488 811	(9 171)	-1.9%	651 748
Local Government Equitable Share		633 119	600 260	600 260	50 022	450 195	450 195	-		600 260
Energy Efficiency and Demand Side Management Grant		2 488	3 000	3 000	-	499	2 250	(1 751)	-77.8%	3 000
Expanded Public Works Programme Integrated Grant		4 746	6 363	6 363	839	5 698	4 772	925	19.4%	6 363
Local Government Financial Management Grant		1 000	1 000	1 000	34	385	750	(365)	-48.7%	1 000
Integrated City Development Grant		-	-	-	-	-	-	-		-
Municipal Infrastructure Grant		21 017	16 500	24 231	6 349	13 325	18 173	(4 848)	-26.7%	24 231
Water Services Infrastructure Grant		26 461	5 750	14 573	1 321	7 818	10 930	(3 112)	-28.5%	14 573
Neighbourhood Development Partnership Grant		-	-	-	-	-	-	-		-
Public Transport Network Grant		-	-	-	-	-	-	-		-
Rural Road Asset Management Systems Grant		2 291	2 321	2 321	357	1 721	1 741	(20)	-1.2%	2 321
Integrated Urban Development Grant		-	-	-	-	-	-	-		-
Other		-	-	-	-	-	-	-		-
<b>Provincial Government:</b>		<b>21 049</b>	<b>-</b>	<b>5 516</b>	<b>0</b>	<b>-</b>	<b>4 137</b>	<b>(4 137)</b>	<b>-100.0%</b>	<b>5 516</b>
Infrastructure		-	-	-	-	-	-	-		-
Capacity Building and Other		21 049	-	5 516	0	-	4 137	(4 137)	-100.0%	5 516
Other		-	-	-	-	-	-	-		-
<b>District Municipality:</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructure		-	-	-	-	-	-	-		-
Capacity Building and Other		-	-	-	-	-	-	-		-
Other		-	-	-	-	-	-	-		-
<b>Other grant providers:</b>		<b>-</b>	<b>-</b>	<b>5 000</b>	<b>-</b>	<b>-</b>	<b>3 750</b>	<b>(3 750)</b>	<b>-100.0%</b>	<b>-</b>
Public Corporations		-	-	5 000	-	-	3 750	(3 750)	-100.0%	-
Higher Educational Institutions		-	-	-	-	-	-	-		-
Parent Municipality		-	-	-	-	-	-	-		-
Other		-	-	-	-	-	-	-		-
<b>Total operating expenditure of Transfers and Grants:</b>		<b>712 172</b>	<b>635 194</b>	<b>662 264</b>	<b>58 922</b>	<b>479 640</b>	<b>496 698</b>	<b>(17 058)</b>	<b>-3.4%</b>	<b>657 264</b>
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		238 082	236 859	220 305	17 289	171 558	165 229	6 329	3.8%	220 305
Energy Efficiency and Demand Side Management Grant		-	-	-	-	-	-	-		-
Municipal Infrastructure Grant		182 752	187 609	179 878	9 075	140 082	134 909	5 173	3.8%	179 878
Water Services Infrastructure Grant		48 535	49 250	40 427	8 214	31 476	30 320	1 156	3.8%	40 427
Municipal Emergency Housing Grant		-	-	-	-	-	-	-		-
Regional Bulk Infrastructure Grant		6 795	-	-	-	-	-	-		-
Other		-	-	-	-	-	-	-		-
<b>Provincial Government:</b>		<b>2 252</b>	<b>-</b>	<b>26 466</b>	<b>-</b>	<b>-</b>	<b>19 849</b>	<b>(19 849)</b>	<b>-100.0%</b>	<b>26 466</b>
Infrastructure		-	-	25 000	-	-	18 750	(18 750)	-100.0%	25 000
Capacity Building and Other		2 252	-	1 466	-	-	1 099	-		1 466
Other		-	-	-	-	-	-	-		-
<b>District Municipality:</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other grant providers:		-	-	-	-	-	-	-		-
<b>Total capital expenditure of Transfers and Grants</b>		<b>240 334</b>	<b>236 859</b>	<b>246 771</b>	<b>17 289</b>	<b>171 558</b>	<b>185 078</b>	<b>(13 520)</b>	<b>-7.3%</b>	<b>246 771</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>952 506</b>	<b>872 053</b>	<b>909 035</b>	<b>76 211</b>	<b>651 198</b>	<b>681 776</b>	<b>(30 578)</b>	<b>-4.5%</b>	<b>904 035</b>

The table shows total expenditure on grants received by the municipality in the 2021/2022 financial year. The total original budgeted receipts for the year is R 872.0 million, however adjusted to R904.5 million during the adjustment budget. The expenditure to date recorded is R575.5 million.

As of 28 February 2022, a total receipt of R 632.9 million was realised (SC6),

The Revenue transfers mainly include equitable share amounting to R 450.1 million, Finance Management Grant amount to R1 million, Expanded Public Works

Programme Integrated Grant amount to R6.3 million, Energy Efficiency and Demand Side Management Grant amounts to R1 million, Rural Road Asset Management Systems Grant amounts to R2.3 million, Municipal Infrastructure Grant R217 million and Water Services Infrastructure Grant amount R55 million, Water Intervention R25 million.

**c) Financial Position**

The municipality has community wealth of over R3.3 billion (consolidated) at the reporting date this is inclusive of assets and accumulated surpluses. At the reporting date, the current ratio was recorded 6.71: 1. This is due to the fact that the purchase of water have been changed whereby by it is purchase direct through as an current asset whereby the reduction (Water Issues) have not been recognised as issued in the trial balance due to the delays in establishing the correct methodology on water measurement and the grants that have been invested on call accounts as well as unspent conditional grants receipts to date and an increase in debtors. The liquidity position of the municipality is highly important, as it determines the ability to pay creditors for operations in the short term. Stringent control measures should be exercised by everyone in the municipality. To remain a viable municipality, financial recovery measures must be accelerated, amongst others improving revenue collection to decrease consumers owing. It should be noted however that such debtors are caused by the combination of both internal and external factors, internal being an improved billing arising from activities done by the municipality.

## d) Cash Flows

DC29 iLembe - Table C7 Monthly Budget Statement - Cash Flow - M09 March										
Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates		-	-	-	-	-	-	-		-
Service charges		183 829	372 855	262 824	19 241	149 402	197 118	(47 716)	-24%	262 824
Other revenue		81 265	131 984	115 803	5 630	55 336	86 852	(31 517)	-36%	115 803
Transfers and Subsidies - Operational		734 117	672 011	708 065	202 969	802 270	531 049	271 222	51%	708 065
Transfers and Subsidies - Capital		234 431	236 859	245 305	75 036	320 339	183 979	136 360	74%	245 305
Interest		9 434	12 372	12 372	155	1 258	9 279	(8 021)	-86%	12 372
Dividends		-	-	-	-	-	-	-		-
<b>Payments</b>										
Suppliers and employees		(913 569)	(562 723)	(617 703)	(127 430)	(914 990)	(463 278)	451 712	-98%	(617 703)
Finance charges		(6 093)	(7 633)	(7 633)	-	(2 906)	(5 725)	(2 819)	49%	(7 633)
Transfers and Grants		-	(36 817)	(36 817)	-	-	(27 613)	(27 613)	100%	(36 817)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>323 414</b>	<b>818 908</b>	<b>682 216</b>	<b>175 603</b>	<b>410 709</b>	<b>511 662</b>	<b>100 953</b>	<b>20%</b>	<b>682 216</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		-	-	-	-	-	-	-		-
Decrease (increase) in non-current receivables		(52)	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
<b>Payments</b>										
Capital assets		(321 900)	(228 109)	(245 479)	(19 790)	(176 229)	(184 109)	(7 880)	4%	(245 479)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(321 953)</b>	<b>(228 109)</b>	<b>(245 479)</b>	<b>(19 790)</b>	<b>(176 229)</b>	<b>(184 109)</b>	<b>(7 880)</b>	<b>4%</b>	<b>(245 479)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		171	-	-	(20)	(143)	-	(143)	#DIV/0!	-
<b>Payments</b>										
Repayment of borrowing		(27 572)	(19 108)	(25 655)	(3 703)	(22 090)	(2 851)	19 239	-675%	(25 655)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(27 400)</b>	<b>(19 108)</b>	<b>(25 655)</b>	<b>(3 723)</b>	<b>(22 233)</b>	<b>(2 851)</b>	<b>19 383</b>	<b>-680%</b>	<b>(25 655)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(25 939)</b>	<b>571 691</b>	<b>411 082</b>	<b>152 090</b>	<b>212 247</b>	<b>324 702</b>			<b>411 082</b>
Cash/cash equivalents at beginning:		242 448	155 435	204 718		216 509	204 718			216 509
Cash/cash equivalents at month/year end:		216 509	727 125	615 801		428 757	529 421			627 592

The consolidated closing cash balances for the period ended March 2022, was R428.7 million, consolidated with the municipal entity. The high balance is inclusive of grants cash balances which has been received during the year which not fully spent as at June 2021 and current year receipts.

It should be noted however that, the cash balance is attributable to the unspent grants received but not yet spent to date for both capital operational projects, which has a negative impact on the level of unspent grants.

The collection rate reported at end of March 2022 was 57% with year to date of 58%. However an anticipated collection amount of R197.1 million has not achieved due to the fact that the municipality had a write off amount of R70 million during the month of October 2021 whereby during original budget the write off was not estimated to take place during the financial year 2022 This rate is slightly above the anticipated rate by 1% set during the approved budget. The current and existing plans and resolutions that have been implemented to impact on revenue collection:

- Relations with department of education regarding schools and offices high in debt.
- Continuous engagements with COGTA and Treasury regarding government debt.
- Meetings have been held with COGTA, IDM and DPW and Dept. of Agriculture.
- Targeting residential debt and areas that were previously not receiving water.
- Adjusting of consumer accounts in areas that do not consistently get water supply.
- Expenditure and revenue management meetings taking place.
- Implementation of an action plan.
- Council assistance and support

## e) Debtors Age Analysis,

The debtors' age analysis is disclosed as a supporting schedule, SC3 on budget statements below:

DC29 iLembe - Supporting Table SC3 Monthly Budget Statement - aged debtors - M09 March												
Description	NT Code	Budget Year 2021/22									Total over 90 days	Impairment
		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		
R thousands												
<b>Debtors Age Analysis By Income Source</b>												
Trade and Other Receivables from Exchange Transactions - Water	1200	17 422	13 123	12 667	11 679	11 680	11 814	44 240	219 415	342 040 203	298 827 483	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	0	0	
Receivables from Non-exchange Transactions - Property Rates	1400	-	-	-	-	-	-	-	-	0	0	
Receivables from Exchange Transactions - Waste Water Management	1500	4 704	2 910	2 208	1 769	1 544	1 673	6 902	49 467	71 177 628	61 355 597	
Receivables from Exchange Transactions - Waste Management	1600									0	0	
Receivables from Exchange Transactions - Property Rental Debtors	1700			0	0	0	0	0	876	876	876	
Interest on Arrear Debtor Accounts	1810	2 549 261	2 517 579	4 496 666	8 704	-1 056	2 185 370	10 785 083	97 043 469	119 585 076	110 021 570	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									0	0	
Other	1900	3 013 788	1 962 356	1 774 846	1 640 671	4 773 641	1 854 456	7 278 532	40 784 958	63 083 248	56 332 258	
<b>Total By Income Source</b>	<b>2000</b>	<b>27 689 750</b>	<b>20 513 124</b>	<b>21 146 373</b>	<b>15 097 425</b>	<b>17 996 612</b>	<b>17 526 936</b>	<b>69 205 145</b>	<b>406 711 666</b>	<b>595 887 031</b>	<b>526 537 784</b>	<b>0</b>
<b>2020/21 - totals only</b>												
<b>Debtors Age Analysis By Customer Group</b>												
Organs of State	2200	3 425 677	2 230 760	1 467 308	961 497	780 538	892 299	3 633 553	14 980 578	28 372 210	21 248 465	
Commercial	2300	3 882 190	1 652 596	1 380 649	750 737	867 675	956 160	3 726 504	9 730 190	22 946 701	16 031 266	
Households	2400	18 770 340	15 602 812	17 238 564	12 914 629	12 841 840	14 876 928	58 673 250	361 329 040	512 247 403	460 635 687	
Other	2500	1 611 543	1 026 956	1 059 852	470 562	3 506 559	801 549	3 171 838	20 671 858	32 320 717	28 622 366	
<b>Total By Customer Group</b>	<b>2600</b>	<b>27 689 750</b>	<b>20 513 124</b>	<b>21 146 373</b>	<b>15 097 425</b>	<b>17 996 612</b>	<b>17 526 936</b>	<b>69 205 145</b>	<b>406 711 666</b>	<b>595 887 031</b>	<b>526 537 784</b>	<b>#</b>

The closing balance on gross debtors was R595.8 million (February 2022:R593.9 million), an increase of R1.9 million due to adjustments made and new connections that have been implemented in the month of January 2022, new connections, and low rate on collection in January 2022 of 48%. Debtor's provision is R371.5 million results to net debtors of R224.3 million.

The collection rate for the year to date as at March 2022 was 57% (February 2022: 58%). This rate is driven by various factors;

- Increase in billed revenue
- Payment pattern is steady and not increasing significantly. Portion of this is accounted due to the COVID-19 pandemic.
- There are meters that are converted to conventional and are being billed and take time and or don't pay for services.
- Those are sent to the debt collector for collection.
- There are meters that are converted to conventional and are being billed and take time and or don't pay for services and some are affected by the economic situation that is currently being experienced.

- There are bulk meters that are to be changed which are being estimated due to them being faulty.

The District continues to implement credit control processes as credit control and debt collection policy.

- Continuous engagements with COGTA and Treasury regarding government debt.
- Continuous engagements with DOE regarding schools and circuit offices arrear in debt.
- Targeting residential debt and areas that were previously not receiving water.

#### f) Creditors Age Analysis

DC29 iLembe - Supporting Table SC4 Monthly Budget Statement - aged creditors - M09 March										
Description	NT Code	Budget Year 2021/22								Total
		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	
R thousands										
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100									-
Bulk Water	0200									-
PAYE deductions	0300	3 149								3 149
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500	2 668								2 668
Loan repayments	0600									-
Trade Creditors	0700	38 310	6 018	0	703	76				45 107
Auditor General	0800									-
Other	0900	274	-	-	24					0
<b>Total By Customer Type</b>	<b>1000</b>	<b>44 127</b>	<b>6 018</b>	<b>0</b>	<b>703</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 924</b>

The creditors' age analysis is disclosed on a supporting schedule, SC4 below:

This table shows trade creditors as per the MFMA tables. The target on the average number of days taken for trade creditors to be paid was 30 days, however the actual for the months of January was 18 days (25days: February 2022) which is slightly below the within the required 30 days.



## g) Investments

DC29 iLembe - Supporting Table SC5 Monthly Budget Statement - investment p								
Investments by maturity Name of institution & investment ID	Ref	Variable or Fixed interest rate	Interest Rate *	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
<b>R thousands</b>								
<b>Municipality</b>								
FNB		02 Variable (02)	7	36 805	509	(117 000)	80 087	402
Standard Bank		01 Fixed (01)	7				10 000	10 000
FNB							30 000	30 000
FNB							10 000	10 000
ABSA		02 Variable (02)	4.08				20 000	20 000
FNB		02 Variable (02)	6.35		190	(15 000)	25 000	10 190
FNB		02 Variable (02)	3.35	1 044	28			1 073
FNB		02 Variable (02)	3.35	686	3	(686)		3
FNB		02 Variable (02)	3.35	103	3			106
FNB		02 Variable (02)	3.35	17 699	523			18 222
FNB		02 Variable (02)	3.35	1 295	61		1 000	2 356
ABSA		02 Variable (02)	6.08					-
FNB		02 Variable (02)	6.35	7 723	150	(5 979)		1 894
FNB		02 Variable (02)	6.35	267	682	(257 419)	281 456	24 986
FNB		02 Variable (02)	6.35	401	326	(42 706)	55 000	13 021
FNB		02 Variable (02)	6.35	2 877	64	(2 936)		5
FNB		02 Variable (02)	6.35	172	28	(1 891)	2 321	630
FNB		02 Variable (02)	6.35	9	28	(4 329)	4 454	163
FNB		02 Variable (02)	6.35	7 044	130	(4 096)	1 000	4 078
FNB		02 Variable (02)	6.35	476	13			489
FNB		02 Variable (02)	6.35	44 686	1 717	(343 140)	309 946	13 209
FNB		02 Variable (02)	6.35	21 959	866	(83 702)	87 326	26 449
Standard Bank		02 Variable (02)	6.35	-	144	(20 144)	20 000	-
Standard Bank		02 Variable (02)	6.35	-	234	(50 234)	50 000	-
Standard Bank		02 Variable (02)	6.35	-	-	-	30 000	30 000
Standard Bank				-	159	(34 159)	34 000	-
Standard Bank				-	87	(20 087)	20 000	-
Standard Bank				-	44	(10 044)	10 000	-
Standard Bank				-	-	-	30 000	30 000
Standard Bank				-	-	-	2 936	2 936
Standard Bank				-	139	-	24 000	24 139
Standard Bank				-	173	-	30 000	30 173
Standard Bank				-	-	-	15 000	15 000
Standard Bank				-	-	-	20 000	20 000
Standard Bank				-	-	-	30 000	30 000
<b>Municipality sub-total</b>				<b>143 247</b>	<b>6 301</b>	<b>(1 013 552)</b>	<b>1 233 526</b>	<b>369 522</b>
<b>Entities</b>								
First National Bank				6 210	17	(1 500)		4 727
Investec				4 886	14	-		4 900
First National Bank				1 834	5	-		1 839
First National Bank				2 509	9	-		2 518
First National Bank				-		2 500		2 500
								-
								-
<b>Entities sub-total</b>				<b>15 439</b>	<b>45</b>	<b>1 000</b>	<b>-</b>	<b>16 484</b>
<b>TOTAL INVESTMENTS AND INTEREST</b>	<b>2</b>			<b>158 686</b>	<b>6 346</b>	<b>(1 012 552)</b>	<b>1 233 526</b>	<b>386 006</b>

The total amount in the investments as of 31 March 2022 for the municipality was R 386.0 million for the IDM and Entity. These investments are already committed and are investments from the conditional grants mainly inclusive of WSIG, MIG, proceeds from sale of municipal building and other grants including equitable share balance.

## **h) Municipal Entity – Enterprise iLembe**

The entity receives funding from IDM which covers operational expenses as well as the funds for LED and Tourism related projects. An amount of R 36.8 million is budgeted to be transferred to Entity for the financial year 2021-22. An amount of R25.4 million has been transferred to date. The Entity's March 2022 report was submitted to the District and is submitted as a separate report.

### **In-year budget statement tables**

The in-year budget statement tables are attached to the item as follows:

#### **Part 1**

- C1 – Monthly budget statement summary
- C2 – Monthly budget statement: Financial Performance (standard classification)
- C3 - Monthly budget statement: Financial Performance (revenue and expenditure by municipal vote)
- C4 - Monthly budget statement: Financial Performance (revenue and expenditure)
- C5 – Monthly budget statement – Capital Expenditure (municipal vote, standard classification and funding)
- C6 – Monthly budget statement: Financial Position
- C7 – Monthly budget statement: Cash Flow

#### **Part 2**

The supporting documentation has been submitted as follows:

- SC1 – Material variance explanation
- SC2 – Performance indicators
- SC3 - Debtors' Analysis
- SC4 - Creditors' Analysis
- SC5 - Investment portfolio analysis
- SC6 - Allocation and grant receipts and expenditure
- SC7 – Allocation and grant expenditure
- SC8 – Expenditure on council and employee benefits
- SC9 – Actuals and revised targets for cash receipts
- SC10 – Parent Municipality Financial Performance
- SC11 – Summary of municipal entity
- SC12 – Capital Expenditure trend
- SC13a \_ Capital expenditure on new assets by asset class
- SC13b – Capital expenditure on renewal of existing assets by asset class
- SC13c – Expenditure on repairs and maintenance by asset class
- SC13d – Depreciation by asset class
- Municipal Manager's quality certification

### 2.3 Strategic and Legal Implications

It is important for Finance Portfolio to have up to date information on the status of its operating and capital budget and expenditure in order to enable Council to take necessary decisions and ensure effective oversight. Accordingly, these monthly budget statements and quarterly budget assessments are intended to facilitate such a function.

### 2.4 Resolutions / Recommendations

It is recommended:

- 2.4.1 That the Ilembe District Municipality MFMA budget statements section 52 (d) & S71 budget statements as per the MFMA C Schedules tables for the period ended March 2022 be noted.
- 2.4.2 That this report be published in the municipal website as per the MFMA section 75.

**ANNEXURE A: MFMA BUDGET TABLES (C SCHEDULES)**

**ANNEXURE B: MFMA BUDGET TABLES (F SCHEDULES)**

**SIGNATURE OF AUTHOR**



.....  
**MANAGER: BUDGET & COMPLIANCE**  
**N KUMALO**

**SUPPORTED / NOT SUPPORTED**



.....  
**CHIEF FINANCIAL OFFICER**  
**M CHANDULAL**



.....  
**MUNICIPAL MANAGER**  
**NG KUMALO**

## **Municipal manager's quality certificate**

I, **NG Kumalo**, the municipal manager of **ILEMBE DISTRICT**

**MUNICIPALITY**, hereby certify that-

- The monthly budget statement
- The monthly report on the implementation of the budget and financial state of affairs of the municipality
- MFMA Sec 52 Quarterly Budget Assessment
  - Mid- year budget and performance assessment
  - For the month of **March 2022** has been prepared in accordance with the Municipal Finance Management Act and regulation made under that Act.

Print name: **N G Kumalo**

Municipal Manager of **ILEMBE DISTRICT MUNICIPALITY (DC 29)**

Signature 

Date: 19 April 2022