

**REPORT TO THE MAYORAL COMMITTEE ON SECTION 52(d) OF THE MFMA FOR THE PERIOD ENDING 31 DECEMBER 2022**

**1. PURPOSE**

To report to Mayoral Committee in terms of the legislative requirements and regulations of Section 11(4)(a), 52(d), 54(1)(f) and 66 of the Municipal Finance Management Act no 56 of 2003 (“MFMA”) as well as the relevant budget regulations.

Where it is deemed necessary, the Accounting Officer must as part of the review make recommendations as to whether an adjustment budget is necessary; and recommend revised projections for revenue and expenditure.

Furthermore, in terms of Section 54 of the MFMA, the Mayor of the Municipality must take certain actions on receipt of this report, to ensure that the approved budget is implemented in accordance with the projections contained in the Service Delivery and Budget Implementation Plan.

**2. LEGISLATIVE REQUIREMENTS**

Reporting activity	Legislative requirements	Report to	Frequency
Table in council a consolidated report of all withdrawals made from bank accounts during quarter	MFMA Section 11(4)(a)	Accounting Officer to Council	Quarterly, within 30 days after each quarter
Report to council on the implementation of the budget and financial state of affairs	MFMA Section 52(d)	Mayor to Council	Quarterly, within 30 days after each quarter

Budgetary control and early identification of financial problems.	MFMA Section 54	Mayor to Council	By 30 September 2022
Report on salary cost	Section 66 of the MFMA and Budget regulation 28	Accounting Officer to Council	Frequently

Section 11(4)(a) stipulates that the accounting officer must within 30 days after the end of each quarter table in the municipal council a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that quarter.

Section 52(d) stipulates that the mayor of the municipality must, within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and the financial state of affairs of the municipality.

Section 54(1) stipulates that on the receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must

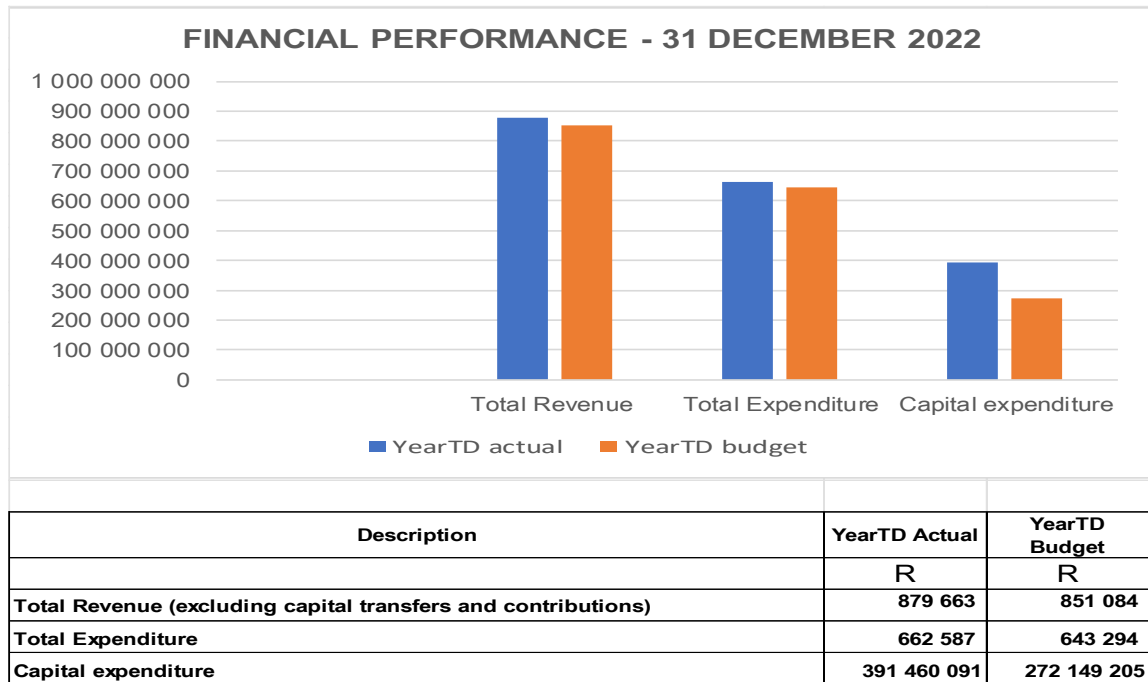
- a) consider the statement or report;
- b) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;
- d) issue any appropriate instructions to the accounting officer to ensure—
  - (i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and
  - (ii) that spending of funds and revenue collection proceed in accordance with the budget;
- e) identify any financial problems facing the municipality, including any emerging or impending financial problems; and

Section 66 stipulates that the accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council of all expenditure incurred by the municipality on staff salaries, wages, allowances

and benefits, and in a manner that discloses such expenditure per type of expenditure.

### 3. Mayor's Report

**Graph 1: High-level Financial Performance:**



The total operating revenue amounts to R879.66 million against the year-to-date budget of R851.08 million, which represents 103 per cent as at 31 December 2021.

The operating expenditure reflects a spending amounting to R662.59 million against the year-to-date budget of R643.29 million, which represents 103 per cent for the period ended 31 December 2021. Capital expenditure amounts to R391.46 million against the year-to-date budget of R272.15 million, which represents 144 per cent.

**Variance explanations are as follows:**

**Operating Revenue**

- **Service charges:** A positive variance of 28 per cent recorded for the year-to-date period. The over recovery is mainly due to faulty water meters that have either have been replaced or repaired.

- **Investment revenue:** A negative variance of 73 per cent is recorded. The investments are dependent on the working capital requirements of the municipality. The lower interest income in December 2022 was due to lower investments made than originally budgeted as well as lower interest rates, which resulted in lower interest for the month.
- **Transfers and subsidies:** A positive variance of 3 per cent is recorded. This is due to the second disbursement of equitable share amounting to R 199.8 million which was received in December 2022 and recognized as revenue, as this is an unconditional grant. The monthly actual is more than the pro-rata budget.
- **Other own revenue:** An under recovery of 35 per cent has been recorded. This is mainly due to VAT recovery, where the Municipality is being assisted by the Service Provider on VAT reviews and recoveries matters for revenue optimization.

### Operating Expenditure

- **Employee Related Costs:** An under performance of 5 per cent is recorded. This is mainly due to the savings on vacant positions that the municipality is in the process of filling.
- **Remuneration of Councillors –** An under performance of 5 per cent can be attributable to the upper limits that have not yet been implemented.
- **Depreciation:** An under performance of 2 per cent has been recorded from the provisional depreciation. The actual depreciation for the current financial year will be run once the annual financial statements and the asset register for the year ended 30 June 2023 having been finalized and submitted for audit.
- **Finance charges:** An unfavorable variance of 70 per cent is recorded. This is due to budgetary challenges that will be addressed in the adjustment budget in February 2023.
- **Inventory consumed and bulk purchases:** The negative variance of 20 per cent is recorded, creating an under expenditure. Financial constraints and cost containment measures can be attributable to the underspending.
- **Contracted services:** A positive variance of 23 per cent is recorded, creating an over expenditure. This reflects an overspending due to payments made during first six months where some were not foreseen like legal etc. This will be addressed in the adjustment budget in February 2023.
- **Transfers and subsidies:** A favorable variance of 58 per cent is recorded. This is mainly due to CHDA Subsidies, CHDA admin fees and Corporate Development assistance which is included in the pro-rata budget and less expenditure incurred to date.
- **Other expenditure:** A positive variance of 2 per cent is recorded for the year-to-date period. This is mainly due to the unforeseen loadshedding challenge which will also be addressed on the adjustment budget in February 2023.

- **Capital expenditure:** Recorded an overspending of 44 per cent on the capital projects which is due to mainly accruals that were paid in the current financial year.

## 15. Recommendations

1. That the Mayoral Committee takes note of the report in terms of section 11(4)(a), 52(d), 54(1)(f), 66 of the MFMA.
2. That the Mayoral Committee takes note and accept the report for the period ended 31 December 2022 as the second quarter report of 2022/23 financial year.
3. That Mayoral Committee takes note that the municipality achieved **69%** spending of its capital budget against the original budget of **R 615.7 million.**
4. That Mayoral Committee takes note that the municipality achieved **59%** of its operating revenue against the original budget of **R 1.48 billion.**
5. That Mayoral Committee takes note that the municipality achieved **50%** spending of its operating expenditure against the original budget of **R 1.32 billion.**
6. That Mayoral Committee takes note of the attached schedule C for the quarter ended 31 December 2022.

### Approval of the report

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**P. MNGENI** **DATE**  
**SENIOR MANAGER: BUDGET & REPORTING**

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**C. MAPEYI** **DATE**  
**CHIEF FINANCIAL OFFICER**