



# MID YEAR REPORT

MFMA Section 72 Mid-Year Report 2022/2023

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### 1.1. INTRODUCTION

In terms of Section 72 (1) (a) and 52 (d) of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA) the Accounting Officer must by 25 January of each year assess the performance of the municipality during the first half of the year. A report on such assessment must in terms of Section 72 (1) (b) of the MFMA be submitted to the Mayor, Provincial Treasury and National Treasury.

Once the Mayor has considered the report, she must submit the report to Council in terms of Section 54 of the MFMA.

The mid-year performance report and supporting tables of Musina Local Municipality, prepared in accordance with MFMA Circular 13 and the Municipal Budget and Reporting Regulations, to illustrate the performance in graphical and tabular format

Even though the average vacancy rate was higher it must be kept in mind that the organogram was structured as such that it reflects the human resource needs of the organisation, however, due to budget constraints the municipality cannot fill all positions.

### 1.2. LEGISLATIVE FRAMEWORK

#### **Section 72: Mid- year Budget and Performance Assessment**

- (1) The Accounting Officer of a municipality must by 25 January of each year –
  - (a) Assess the performance of the municipality during the first half of the year, taking into account-
    - (i) The monthly statements referred to in section 71 for the first half of the financial year;
    - (ii) The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery budget implementation plan;
    - (iii) The past year's annual report and progress on resolving problems identified in the annual report; and
    - (iv) The performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and (b) Submit a report on such assessment to –
      - (i) The mayor of the municipality;
      - (ii) The National Treasury; and
      - (iii) The relevant provincial treasury.
  - (2) The statement referred to in section 71 (1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.
  - (3) The accounting officer must as part of the review-
    - (a) Make recommendations as to whether an adjustment budget is necessary; and
    - (b) Recommend revised projections for revenue and expenditure that this may be necessary.

#### **Section 54: Budgetary control and early identification of financial problems**

- (1) On 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 budget implantation plan;
  - (c) Consider and, if necessary, make any revisions to service delivery and budget implementation plan, provided that the 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 adjustment 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 the 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
  - (f) In the case of a section 72 report, submit the report to the council by 31 January of each year.
- (2) If the municipality faces any serious financial problems, the mayor must-
  - (a) Promptly respond to and initiate any remedial or corrective steps proposed by the accounting officer to deal with such problems, which may include-
    - (i) Steps to reduce spending when revenue is anticipated to be less than projected in the municipality's approved budget;
    - (ii) The tabling of an adjustment budget ; or
    - (iii) Steps in terms of Chapter 13; and
  - (b) Alert the council and the MEC for local government in the province to those problems.
- (3) The Mayor must ensure that any revisions of the service delivery budget implementation plan are made public promptly.

## 2. FINANCIAL PERFORMANCE ANALYSIS AS AT 01 JULY 2022 to 31 DECEMBER 2022

The total budget approved for the 2022-2023 financial year amounts to R451 042 million.

The total expenditure for operating activities as at 31 December 2022 amounts to R 238 761 million, Remaining Expenditure Budget for the year is at R207 280 million

Total revenue collection as at 31 December 2022 R 215 611 million, with remaining Revenue Budget of R235 431 million

The expenditure on Capital projects as at 31 December 2022 R11 371 million, with remaining Capital Expenditure Budget of R21 342 million

### Revenue

- ❖ The municipality generated over 64% of its budgeted revenue by the 31st of December 2022, this performance is acceptable even though there are revenue items that are still under 50 % and did not perform as expected.
- ❖ The municipality need to pay special attention to all revenue items in the second half of the financial year to ensure that it achieved its targets which are a contribution to it achieving its strategic objectives as set out in its integrated development plan:
- ❖ **Property Rates-** The municipality is doing exceptional good on the collection of revenue on Property Rates as it is currently on 58% of the budget R25.8 million, with year to date actual of R13.7 million vs year to date budget of R12.9 million which equate 93% performance.
- ❖ **Service charges-** Electricity and refuse are the biggest source of income and represents R177.5 million or .22% of the total income budget in 2022/23. The actual year to date is at R93.5 million in comparison with the budgeted actual of R88.7 million the performance of 95% on year to year is acceptable
- ❖ The rapid increase in the electricity tariffs also had an effect on electricity charges .The municipality will have to implement more robust credit control measures to improve on these items as there are measure source contributes of income,
- ❖ **Fines, Licences and Permits-** There is a slow pace in collection of this revenue the municipality need to apply strict credit control measures to improve this items by year end.
- ❖ **Transfers recognized – Operating–** The municipality has received all transfers as per payment schedule. The municipality has received R138.7 million for equitable share, R3 million for FMG and R974 thousand for EPWP

## Expenditure

- The municipality spent about 76% of its operating expenditure, this was achieved during a very difficult period where we have to reduce the Eskom debt, also ensuring that the monthly Eskom account is paid by the due date, salaries are also paid when they are due, and other creditors are paid for services rendered.
- ❖ **Employee Related costs-** The municipality's salary expense is currently on 46% of the budgeted amount with 38% for Remuneration of councillors. The municipality is still applying the system of paying employees not more than 40 hours of overtime worked to reduce the salary bill.
- ❖ **Finance charges –** The DBSA loan has been paid up.
- ❖ **Bulk purchases –** The municipality payment plan with Eskom to pay R10 million in 3 instalments as and when we received Equitable Share is being honoured. Only in the month of December we paid Eskom main account R52.6 million which equates to accumulated R123 million spend to date on bulk purchases
- ❖ **Contracted services –** The municipal contracted services which mainly consists of Security Services, Uniform Contracted, Dumping Site etc. and is currently on 37.33% of the budgeted amount of R38.078 million, by end of December 2022 expenditure was at R14.213 million
- ❖ **Transfers and Grants- The** municipality has spent 100% on EPWP grant and FMG expenditure is on 59%.
- ❖ **Other expenditure –** The municipality will also implement a cash on delivery system to ensure that the municipality is not over committed, this will also contribute towards achieving the 30 days period requirement.

The following table provides a summary of the municipality's performance for Mid-Year 2022/2023

LIM341 Musina - Table C1 Monthly Budget Statement Summary -Mid-Year Assessment									
Description	2021/22	Budget Year 2022/23							
	Audited Outcome	Original Budget	Adjusted Budget	Half Year Actuals	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	25 661	25 814	—	13 799	13 799	12 907	892	7%	25 814
Service charges	167 170	177 573	—	93 556	93 556	88 786	4 770	5%	177 573
Investment revenue	—	—	—	—	—	—	—	—	—
Transfers and subsidies	176 378	199 191	—	143 569	143 569	99 596	43 973	44%	199 191
Other own revenue	19 090	48 465	—	14 584	14 584	24 233	(9 649)	-40%	48 465
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>388 299</b>	<b>451 043</b>	<b>—</b>	<b>265 508</b>	<b>265 508</b>	<b>225 522</b>	<b>39 986</b>	<b>18%</b>	<b>451 043</b>
Employee costs	150 650	162 265	—	74 917	74 917	81 132	(6 215)	-8%	162 265
Remuneration of Councillors	10 097	12 823	—	5 146	5 146	6 411	(1 265)	-20%	12 823
Depreciation & asset impairment	31 885	27 942	—	—	—	13 971	(13 971)	-100%	27 942
Finance charges	135	—	—	—	—	—	—	—	—
Materials and bulk purchases	142 119	124 511	—	123 780	123 780	62 255	61 525	99%	124 511
Transfers and subsidies	5 827	—	—	2 250	2 250	—	2 250	#DIV/0!	—
Other expenditure	108 691	117 999	—	37 821	37 821	59 250	(21 429)	-36%	118 499
<b>Total Expenditure</b>	<b>449 403</b>	<b>446 041</b>	<b>—</b>	<b>275 530</b>	<b>275 530</b>	<b>223 019</b>	<b>52 511</b>	<b>24%</b>	<b>446 040</b>
<b>Surplus/(Deficit)</b>	<b>(61 104)</b>	<b>5 002</b>	<b>—</b>	<b>(10 022)</b>	<b>(10 022)</b>	<b>2 503</b>	<b>(12 525)</b>	<b>—</b>	<b>5 003</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	31 409	32 713	—	28 486	28 486	16 356	12 130	—	32 713
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	4 363	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(25 332)</b>	<b>5 002</b>	<b>—</b>	<b>18 464</b>	<b>18 464</b>	<b>18 859</b>	<b>(395)</b>	<b>-2%</b>	<b>37 716</b>
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—
<b>Surplus/ (Deficit) for the year</b>	<b>(25 332)</b>	<b>5 002</b>	<b>—</b>	<b>18 464</b>	<b>18 464</b>	<b>18 859</b>	<b>(395)</b>	<b>-2%</b>	<b>37 716</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>9 157</b>	<b>37 713</b>	<b>—</b>	<b>9 725</b>	<b>11 236</b>	<b>18 856</b>	<b>(7 620)</b>	<b>-40%</b>	<b>37 713</b>
Capital transfers recognised	28 853	32 713	—	9 725	11 236	18 856	(7 620)	-40%	32 713
Borrowing	—	—	—	—	—	—	—	—	—
Internally generated funds	(891)	5 000	—	3 154	3 154	2 500	654	26%	5 000
<b>Total sources of capital funds</b>	<b>27 962</b>	<b>37 713</b>	<b>—</b>	<b>10 832</b>	<b>10 832</b>	<b>18 856</b>	<b>(8 024)</b>	<b>-43%</b>	<b>37 713</b>
<b>Financial position</b>									
Total current assets	211 176	118 075	—	—	266 675	—	—	—	118 075
Total non current assets	604 177	515 437	—	—	61 541	—	—	—	515 437
Total current liabilities	643 090	519 528	—	—	602 240	—	—	—	519 528
Total non current liabilities	43 472	19 595	—	—	43 472	—	—	—	19 595
Community wealth/Equity	297 570	942 390	—	—	236 376	—	—	—	94 390
<b>Cash flows</b>									
Net cash from (used) operating	263 124	42 879	—	12 946	89 463	21 440	(68 023)	-317%	42 879
Net cash from (used) investing	(20 535)	(37 713)	—	73	(12 289)	(18 856)	(6 567)	35%	(37 713)
Net cash from (used) financing	(7 362)	—	—	—	(22)	—	22	#DIV/0!	—
<b>Cash/cash equivalents at the month/year end</b>	<b>258 094</b>	<b>13 639</b>	<b>—</b>	<b>—</b>	<b>92 422</b>	<b>15 056</b>	<b>(77 366)</b>	<b>-514%</b>	<b>20 436</b>
<b>Debtors &amp; creditors analysis</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91-120 Days</b>	<b>121-150 Dys</b>	<b>151-180 Dys</b>	<b>181 Dys-1 Yr</b>	<b>Over 1Yr</b>	<b>Total</b>
<b>Debtors Age Analysis</b>									
Total By Income Source	12 236	6 217	—	5 592	3 406	5 211	12 163	88 001	137 873
<b>Creditors Age Analysis</b>									
Total Creditors	268	17 448	—	210	—	—	85	159	18 175

### 3. Operational Revenue and Expenditure by Source for Mid-Year 2022/202

LIM341 Musina - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year Assessment										
Description	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	monthly Actuals	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									%	
<b>Revenue By Source</b>										
Property rates		25 661	25 814	–	1 799	13 799	12 907	892	7%	25 814
Service charges - electricity revenue		152 800	162 728	–	10 554	66 497	81 364	(14 867)	-18%	162 728
Service charges - water revenue		–			–			–		–
Service charges - sanitation revenue					–			–		–
Service charges - refuse revenue		14 368	14 844	–	1 543	9 141	7 422	1 719	23%	14 844
Rental of facilities and equipment		16	558	–	1	5	279	(274)	-98%	558
Interest earned - external investments		–	–	–	–	–	–	–		–
Interest earned - outstanding debtors		5 499	2 966	–	677	11 722	1 483	10 239	690%	2 966
Dividends received		469	527	–	–	130	264	(134)	-51%	527
Fines, penalties and forfeits		5 147	3 870	–	281	1 493	1 935	(442)	-23%	3 870
Licences and permits		3 112	2 436	–	16	52	1 218	(1 166)	-96%	2 436
Agency services			–	–	–	–	–	–		–
Transfers and subsidies		176 378	199 191	–	64 342	143 569	99 596	43 974	44%	199 191
Other revenue		9 036	38 108	–	2 534	19 100	19 054	46	0%	38 108
Gains		(4 190)	–	–	–	–	–	–		–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>388 296</b>	<b>451 042</b>	<b>–</b>	<b>81 747</b>	<b>265 508</b>	<b>225 521</b>	<b>39 987</b>	<b>18%</b>	<b>451 042</b>



## 4. Capital Expenditure

LIM341 Musina - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - Mid-Year Assessment										
Vote Description	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	Half Year Actuals	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
<b>Capital Expenditure - Functional Classification</b>										
<b>Governance and administration</b>		18 586	3 000	-	398	398	625	(227)	-36%	-
Executive and council		(324)	1 500					-		
Finance and administration		18 910	1 500		398	398	625	(227)	-36%	
Internal audit								-		
<b>Community and public safety</b>		3 643	4 751	-	3 248	3 248	3 296	(48)	-1%	-
Community and social services		3 643	4 751		3 243	3 243	3 296	(53)	-2%	
Sport and recreation								-		
Public safety					5	5		5	#DIV/0!	
Housing								-		
Health								-		
<b>Economic and environmental services</b>		24 319	28 962	-	5 652	5 652	12 068	(6 416)	-53%	-
Planning and development		25 210	27 962		3 478	3 478	11 651	(8 173)	-70%	
Road transport		(891)	1 000		2 174	2 174	417	1 757	421%	
Environmental protection								-		
<b>Trading services</b>		430	1 000	-	2 073	2 073	500	1 573	315%	-
Energy sources		430	1 000		2 073	2 073	500	1 573	315%	
Water management								-		
Waste water management								-		
Waste management								-		
<b>Other</b>								-		
<b>Total Capital Expenditure - Functional Classification</b>	3	46 978	37 713	-	11 371	11 371	16 489	(5 118)	-31%	-
<b>Funded by:</b>										
National Government		28 853	32 713		7 678	7 678	16 357	(8 679)	-53%	
Provincial Government								-		
District Municipality								-		
<b>Transfers recognised - capital</b>		28 853	32 713	-	7 678	7 678	16 357	(8 679)	-53%	-
<b>Borrowing</b>	6							-		
<b>Internally generated funds</b>			5 000		3 154	3 154	2 500	654	26%	
<b>Total Capital Funding</b>		28 853	37 713	-	10 832	10 832	18 857	(8 025)	-43%	-

- ❖ The total capital budget is R32.7 million for 2022/2023 current year, and we have received R28.4 million of the MIG grant allocation so far, and spend R 11.3 million of the grant in the last half of the financial year. The municipality is confident that by year end the grant will be on 100%.

## 5. Cash flow management

LIM341 Musina - Table C7 Monthly Budget Statement - Cash Flow - Mid-Year Assessment									
Description	Ref	2021/22	Budget Year 2022/23						
		Audited Outcome	Original Budget	Adjusted Budget	Half Year Actuals	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property rates			23 486	20 651	–	11 743	(11 743)	-100%	
Service charges		72	159 815	139 995	38 272	79 908	(41 636)	-52%	
Other revenue			9 771	16 542	48 867	4 886	43 982	900%	
Transfers and Subsidies - Operational			196 191	199 191	4 416	98 096	(93 680)	-95%	
Transfers and Subsidies - Capital			32 713	32 713	–	16 357	(16 357)	-100%	
Interest			–	3 486	–	–	–		
Dividends							–		
<b>Payments</b>									
Suppliers and employees			(379 098)		(2 092)	(189 549)	(187 457)	99%	
Finance charges			–		–	–	–		
Transfers and Grants			–		–	–	–		
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		72	42 878	412 578	89 463	21 439	(68 024)	-317%	–
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE		1 991	–		1 097	1 097	–		
Decrease (increase) in non-current receivables							–		
Decrease (increase) in non-current investments							–		
<b>Payments</b>									
Capital assets		(38 530)	(37 713)		(13 386)	(18 857)	(5 471)	29%	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		(36 539)	(37 713)	–	(12 289)	(17 760)	(5 471)	31%	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans			(351)			(176)	176	-100%	
Borrowing long term/refinancing		–	(2 785)			(1 393)	1 393	-100%	
Increase (decrease) in consumer deposits		304	–		(22)	(22)	–		
<b>Payments</b>									
Repayment of borrowing		(7 666)	–		–	–	–		
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		(7 362)	(3 136)	–	(22)	(1 590)	(1 568)	99%	–
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		(43 829)	2 029	412 578	77 152	2 090			–
Cash/cash equivalents at beginning:		22 867	12 473		1 754	12 473			1 754
Cash/cash equivalents at month/year end:		(20 962)	14 502	412 578	78 906	14 563			1 754

- ❖ The municipality's cash flow position is still fragile, and proper prioritization of commitments and payments will be vital if the municipality is to reduce the risk of going concern.
- ❖ Measures such as cash on delivery will be implemented to mitigate the risk stated above.
- ❖ The next 12 months will be difficult for the municipality, once the Eskom arrear debt is fully paid, the municipality will start seeing visible improvement in its cash flow position.

## 6. Financial Position

LIM341 Musina - Table C6 Monthly Budget Statement - Financial Position - Mid-Year Assessment

Description	Ref	2021/22	Budget Year 2022/23			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		5 324	20 432	–	31 305	20 432
Call investment deposits		10 731	–	–	10 731	–
Consumer debtors		52 234	35 920	–	64 845	35 920
Other debtors		113 525	30 435	–	130 218	30 435
Current portion of long-term receivables		–	–	–	–	–
Inventory		29 361	31 288	–	29 575	31 288
<b>Total current assets</b>		<b>211 175</b>	<b>118 075</b>	<b>–</b>	<b>266 674</b>	<b>118 075</b>
<b>Non current assets</b>						
Long-term receivables		–	–	–	–	–
Investments		–	10 731	–	–	10 731
Investment property		196 854	173 984	–	169 854	209 993
Investments in Associate		–	–	–	–	–
Property, plant and equipment		433 992	330 731	–	445 227	330 731
Biological		–	–	–	–	–
Intangible		266	(74)	–	266	(74)
Other non-current assets		65	65	–	65	65
<b>Total non current assets</b>		<b>631 177</b>	<b>515 437</b>	<b>–</b>	<b>615 412</b>	<b>551 446</b>
<b>TOTAL ASSETS</b>		<b>842 352</b>	<b>633 512</b>	<b>–</b>	<b>882 086</b>	<b>669 521</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		785	–	–	785	–
Borrowing		(7 072)	384	–	(7 072)	384
Consumer deposits		5 108	4 781	–	5 086	4 781
Trade and other payables		599 707	514 362	–	558 880	514 362
Provisions		44 561	–	–	44 561	–
<b>Total current liabilities</b>		<b>643 089</b>	<b>519 527</b>	<b>–</b>	<b>602 240</b>	<b>519 527</b>
<b>Non current liabilities</b>						
Borrowing		7 871	6 692	–	7 871	19 595
Provisions		35 601	15 953	–	10 714	–
<b>Total non current liabilities</b>		<b>43 472</b>	<b>22 645</b>	<b>–</b>	<b>18 585</b>	<b>19 595</b>
<b>TOTAL LIABILITIES</b>		<b>686 561</b>	<b>542 172</b>	<b>–</b>	<b>620 825</b>	<b>539 122</b>
<b>NET ASSETS</b>	2	<b>155 791</b>	<b>91 340</b>	<b>–</b>	<b>261 261</b>	<b>130 399</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		297 491	442 246	–	236 297	94 390
Reserves		79	–	–	79	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>297 570</b>	<b>442 246</b>	<b>–</b>	<b>236 376</b>	<b>94 390</b>

- ❖ The municipality showed a positive bank balance of R4 024 664.85 million at the end of 31 December 2022

