

Lydenburg Head Office:
Tel: 013 235 7300
Fax: 013 235 1108

Sabie Unit:
Tel: 013 235 7444
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**THABA CHWEU
LOCAL MUNICIPALITY**

24 Hours Emergency no:
Tel: 013 235 1788
013 235 7370
Toll free: 0800 007 222

PO Box 61
Lydenburg 1120
Cnr. Viljoen & Sentraal Streets

All Correspondence to be directed
To the Municipal Manager

MEMORANDUM

TO : MR. MP MANKGA (THE ACTING MUNICIPAL MANAGER)
FROM : MR. KP MASHEGO (THE DEPUTY CHIEF FINANCIAL OFFICER)
DATE : 13 FEBRUARY 2023
SUBJECT : MFMA MONTHLY REPORT

Dear Sir

S71 of the MFMA states that;


1. The accounting officer of a municipality must by no later than 10 working days after the end of each month, submit the municipality and the relevant provincial treasury a statement in the prescribed format on the municipality's budget reflecting the following particulars for the month and the financial year up to the end of the month;

- Service Charges
- YTD Budget Collection Rate (year to date)
- Debtors Age Analysis by Consumer Group
- Revenue Raised from Conditional Grants.
- Capital Expenditure Performance
- Operating Expenditure Performance
- Bank Balances

Attached hereto is the report for the month of JANUARY 2023.

I trust you will find the above in order.

Kind Regards



Mr. KP MASHEGO
THE DEPUTY CHIEF FINANCIAL OFFICER
Date: 16 / 02 / 2023

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OFFICE OF THE MUNICIPAL MANAGER

Enquiries: Mr KP Mashego

DATE: 13 FEBRUARY 2023

The Executive Mayor: CLLR MF Nkadameng
Thaba Chweu Municipality
P O Box 61
Lydenburg
1120

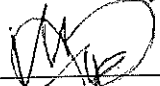
Dear Madam

SUBJECT: ACKNOWLEDGEMENT OF RECEIPT: SECTION 71 REPORT FOR JANUARY 2023

We hereby submit the Section 71 report for the month of January 2023 as stated in the MFMA that the accounting officer of a municipality must submit by no later than 10 working days after the end of each month, submit to the mayor of the municipality and the relevant provincial treasury, a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for the month and for the financial year up to the end of that month.

Trust, you find the above in order.

Yours Sincerely



Ms K.P. Molapo

Manager Budget and Treasury



MR K.K. Rakgatla

Secretary of the Executive Mayor

Acknowledgement of receipt

Date: 13 102 / 2023

THABA CHWEU LOCAL MUNICIPALITY



SECTION 71 REPORT FOR THE MONTH OF JANUARY 2022-2023 FY

FINANCE REPORT ON SECTION 71 OF THE MFMA

MONTHLY BUDGET STATEMENT FOR JANUARY 2023

1. PURPOSE

- 1.1. The purpose of the item is to report to the executive mayor about the state of the municipality's budget in terms of section 71 of the MFMA.

2. LEGISLATIVE FRAMEWORK

- 2.1. Constitution of the Republic, Act 108 of 1996
- 2.2. Municipal Systems Act, Act 32 of 2000
- 2.3. Municipal Finance Management Act, Act 56 of 2003
- 2.4. Division of Revenue Act 2013

3. BACKGROUND

- 3.1. The monthly budget statement is done and compiled in a prescribed format and it relates to the state of municipality's budget, among others reflecting the following particulars:

- Actual revenue per revenue source
- Actual expenditure per vote
- Actual capital expenditure per vote
- Amount of any allocation received, and
- Actual expenditure on those allocations.

- 3.2. It is the legislative requirement that an explanation of any material variance in terms of the income and expenditure projections as well as the service delivery and budget implementation plan (SDBIP) must be provided.
- 3.3. The mentioned explanations must be accompanied by the remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

4. INTRODUCTION

- 4.1. The monthly budget statement is hereby presented in terms of section 71 of the municipal finance management Act, Act 56 of 2003; its purpose is to reflect among others the general financial performance considering what has been budgeted for at the beginning of the financial year.

5. DELIBERATIONS/ DISCUSSION

The municipality's monthly budget statement for the period of JANUARY 2023 is hereby summarised and presented as follows:

MFMA SECTION 71 REPORT JANUARY 2023

SERVICE CHARGES

Type	Budgeted Revenue	Special Adjustment MFMA s28(2)g	Monthly Billing	Monthly Collection	Collection Rate
Property Rates	R 116,112,863.00	R 116,112,863.00	R 8,903,252.00	R 6,158,559.32	69%
Water	R 59,721,324.00	R 59,721,324.00	R 4,819,633.00	R 2,344,878.89	49%
Sewerage	R 21,978,044.00	R 21,978,044.00	R 1,649,518.00	R 1,061,752.23	64%
Electricity	R 235,879,021.00	R 235,879,021.00	R 13,615,404.00	R 12,767,997.20	94%
Refuse	R 25,791,150.00	R 25,791,150.00	R 1,974,472.00	R 1,257,848.17	64%
TOTAL	R 459,482,402.00	R 459,482,402.00	R 30,962,279.00	R 23,591,035.81	76%

The monthly collection rate for services is less than the norm (95%) of the billed revenue. The municipality must fully implement the credit control policy and other revenue enhancement strategies to improve revenue collection.

5.1 YTD BUDGET COLLECTION RATE (YEAR TO DATE):

Own Revenue Category	Annual Budget	Special Adjustment MFMA s28(2)g	Expected Collection at Midyear	YTD Collection	YTD Rate
Rates and Service Charges	R 459,482,402.00	R 459,482,402.00	R 229,741,201.00	R 166,476,520.01	72%
Other Revenue	R 35,821,154.00	R 35,821,154.00	R 17,910,577.00	R 9,980,930.67	56%
Transfers and subsidies (grants)	R 308,773,000.00	R 308,773,000.00	R 213,072,000.00	R 185,069,000.00	87%
Interest on outstanding debtors	R 24,215,752.00	R 24,215,752.00	R 12,107,876.00	R 1,619,212.63	13%
Interest earned on external investment	R 491,694.00	R 491,694.00	R 245,847.00	R 644,277.69	262%
TOTAL	R 828,784,002.00	R 828,784,002.00	R 473,077,501.00	R 363,789,941.00	77%

The year-to-date collection rate for total revenue is 77% which is less with 23% of the norm on the expected collection. The municipality must fully implement the credit control policy and other revenue enhancement strategies to improve revenue collection.

5.2 DEBTORS AGE ANALYSIS BY CONSUMER GROUP (R'000):

Row Labels	Sum of 202301	Sum of 202212	Sum of 202211	Sum of 202210	Sum of 202209	Sum of 202208	Sum of 202207	Sum of 2022	Sum of Total
AGRICULTURAL	1460263.51	1284440.2	1288584.26	1222643.38	1226901.38	1152617.54	5233356.23	86834239	99705894.57
BUSINESS	4259907.5	1483451.7	1026025.31	974198.08	1048993.16	754294.23	3771965.63	20722518.9	34042174.29
INDUSTRIAL	906472.9	419831.6	402562.71	373130.78	397970.74	375807.19	1967841.35	13197758.4	18041629.69
MINING	672.21	672.21	672.21	672.21	672.21	672.21	4254.72	28428.9	36716.88
MULTIPLE USE P	935478.34	760783.64	747446.91	720721.55	710985.27	700498.44	2798709.59	31690181.5	39064805.25
PROTECTED AREA	2711.29	2534.45	2534.45	2534.45	2357.63	2357.63	10668.29	542047.54	567745.73
PUBLIC BEN ORG	226350.94	70569.89	75649.26	75856.66	49045.27	47966.05	202305.6	1529045.08	2276788.75
PUBLIC SERV INFR	49939.73	45066.97	42274.39	45654.9	41233.42	41342.27	185036.65	2211735.35	2662283.68
PUBLIC SERV PURP	507808.11	521742.18	410123.99	312640.4	290979.77	205364.33	328511.92	1680626.49	4290057.55
RESIDENTIAL	11153310.04	8370367.52	7772929.02	7367303.07	7037240.94	6978856.04	31528457.6	263476038	343887891
RESIDENTIAL OTH	1331968.66	665732.47	552076.48	551208.69	541652	529385.86	2184479.79	11117232.8	17473988.69
UNDEVELOPED	1873206.64	1663567.96	1617003.97	1584319.92	1560108.03	1512143.95	7969120.75	77754958.2	95548961.99
Grand Total:	22708089.87	15288760.79	13937882.96	13230884.09	12908139.62	12301305.74	56184708.12	510784810	657598938.1

- Debtor's book is sitting at R657 million as of 31st JANUARY 2023. Residential households owe the municipality around 55%, Businesses owe 8%, Agriculture owes the municipality around 15%, Government owe the municipality around 1% and other owes the municipality 21%.

5.3 REVENUE RAISED FROM CONDITIONAL GRANTS:

Grant Description	Original Allocation	Grant Received to Date	Value of Condition met	Liability Balance	Expenditure in %
Equitable Share	R 187,934,000	R 135,216,000	R 135,216,000	R -	100%
Finance Management Grant (FMG)	R 3,000,000	R 3,000,000	R 631,466	R 2,368,534	21%
Expanded Public Works Programme (EPWP)	R 1,932,000	R 1,353,000	R 1,932,000	-R 579,000	143%
Municipal Infrastructural Grant (MIG)	R 53,907,000	R 33,000,000	R 22,882,518	R 10,117,482	69%
Water Service Infrastructure Grant (WSIG)	R 40,000,000	R 3,000,000	R 2,201,840	R 798,160	73%
Regional Bulk Infrastructure	R 2,000,000	R 1,000,000	R -	R 1,000,000	0%
Integrated National Electrification	R 20,000,000	R 8,500,000	R 2,296,850	R 6,203,150	27%
GRANT TOTAL	R 308,773,000	R 185,068,000	R 165,160,673	R 19,908,327	89%

FMG, RBIG and INEG are under performing the municipality must have plans in place to ensure that all grants have spent 100% as at year end to avoid roll over.

5.4 OPERATING EXPENDITURE PERFORMANCE:

TYPE	ORIGINAL BUDGET	SPECIAL ADJUSTMENT MFMA 528(2)(g)	ACTUAL JANUARY 2023	YTD EXPENDITURE	%
Employee Costs	R 254,915,983.00	R 254,915,983.00	R 18,155,564.00	R 130,191,248.00	51%
Councillors Remuneration	R 14,122,691.00	R 14,122,691.00	R 976,920.55	R 7,124,460.55	50%
Bulk Purchases	R 165,000,000.00	R 165,000,000.00	R 8,575,767.00	R 97,012,585.00	59%
General Expenses	R 370,642,525.00	R 370,642,525.00	R 26,049,432.59	R 205,981,039.93	56%
Repairs & Maintenance	R 80,370,000.00	R 80,370,000.00	R 6,887,989.03	R 45,640,579.52	57%
TOTAL	R 885,051,199.00	R 885,051,199.00	R 60,645,673.17	R 485,949,913.00	55%

The overall expenditure is at 55% of which is a good financial practice, and it shows that expenditure is spending within the budget.

5.5 CAPITAL EXPENDITURE PERFORMANCE:

The following information relates to capital expenditure incurred through Own Funding and Conditional grants:

PROJECTS/ VOTE	ORIGINAL BUDGET	SPECIAL ADJUSTMENT/ AMPLA (1/2023)	ACTUAL EXPENDITURE (NOVEMBER/2023)	VOTES/EXPENDITURE	% (EXPENDITURE)
WATER PROJECTS	R 31,119,857.00	R 7,362,410.92		R 3,572,086.86	49%
ELECTRICITY	R 20,000,000.00	R 20,000,000.00	R 1,276,479.72	R 2,296,849.52	11%
SANITATION PROJECTS	R 61,313,114.00	R 62,335,613.47	R 298,230.45	R 5,240,473.12	8%
ROADS	R 778,729.00	R 23,513,675.18	R 8,527,885.15	R 14,256,319.56	61%
VEHICLE	R 1,000,000.00	R 1,000,000.00	R -	R -	0%
MACHINERY & EQUIPMENT	R 4,450,000.00	R 4,450,000.00	R -	R 58,105.00	1%
MINI SUBSTATIONS & TRANSFORMERS	R 7,200,000.00	R 7,200,000.00	R -	R 3,217,672.95	45%
TOTAL	R 125,861,700.00	R 125,861,699.57	R 10,102,595.32	R 28,641,507.01	23%

Capital expenditure budget is underspending, proper plans must be implemented to ensure that the budget is 100% spent as of 30 June 2023

5.7. INVESTMENT PORTFOLIO AND BANK BALANCES:

BANK	AMOUNT
Standard Bank Primary Account	6,880,933.08
Standard Bank Traffic Account	28.23
Standard Bank Call 1 : POST OFFICE GUARANTEE	133,491.32
Standard Bank Call 2 : MIG CALL ACCOUNT	1,936,848.48
Standard Bank Call 3 : MWIG CALL ACCOUNT	586,696.47
Standard Bank Call 4 : RINGFENCE ELEC CALL ACCOUNT	4,366,578.71
Standard Bank Call 7 : INVESTMENT ACCOUNT	1,633.02
TOTAL BANK BALANCE	13,906,209.31

IMPLICATIONS:

6.1. Legal implications

Compilation and submission of the monthly budget statement to the executive is a legislative requirement, the non-submission thereof has implications.

6.2. Financial implications

There are no financial implications since the monthly budget statement is done in house.

6. CONCLUSION:

It should be noted that monthly budget statement is prepared in terms of Section 71 of the MFMA

8.1. RECOMMENDATIONS BY THE MUNICIPAL MANAGER

It is recommended that the monthly budget statement for the month of JANUARY 2023 be approved.