

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

Sable Unit:
Tel: 013 235 7444
Fax: 013 764 1077

Graskop Unit:
Tel: 013 767 7448
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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

OFFICE OF THE MUNICIPAL MANAGER

Enquiries: Mr KP Mashego

DATE: 13 APRIL 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 MARCH 2023

We hereby submit the Section 71 report for the month of March 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

Mr S Moraba
Assistant Manager Budget and Treasury

MR K.K Rakgatla
Secretary of the Executive Mayor
Acknowledgement of receipt
Date: 13 April 2023

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MEMORANDUM

TO : MR. MP MANKGA (THE ACTING MUNICIPAL MANAGER)
FROM : MR. KP MASHEGO (THE DEPUTY CHIEF FINANCIAL OFFICER)
DATE : 13 APRIL 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 MARCH 2023.

I trust you will find the above in order.

Kind Regards

Mr. KP MASHEGO
THE DEPUTY CHIEF FINANCIAL OFFICER

Date: 13 / 04 / 2023

THABA CHWEU LOCAL MUNICIPALITY



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

FINANCE REPORT ON SECTION 71 OF THE MFMA

MONTHLY BUDGET STATEMENT FOR MARCH 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 MARCH 2023 is hereby summarised and presented as follows:

5.1 SERVICE CHARGES

Type	Annual Approved Budgeted Revenue	Monthly Budgeted Revenue	March 2023 Billing	March 2023 Collection	Collection Rate
Property Rates	R 116,112,863.00	R 9,676,071.92	R 8,989,448.00	R 6,084,744.15	68%
Water	R 59,721,324.00	R 4,976,777.00	R 4,620,034.00	R 3,923,783.90	85%
Sewerage	R 21,978,044.00	R 1,831,503.67	R 1,614,157.00	R 1,014,336.00	63%
Electricity	R 235,879,021.00	R 19,656,585.08	R 12,812,694.00	R 12,157,349.50	95%
Refuse	R 25,791,150.00	R 2,149,262.50	R 1,940,439.00	R 1,232,610.00	64%
TOTAL	R 459,482,402.00	R 38,290,200.17	R 29,976,772.00	R 24,412,823.55	81%

- 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.
- The Municipality's Billed Revenue for March is 78% of the Monthly Budgeted Revenue. This indicates that the Municipality is underbilling by 22%. Based on the above projections, the revenue budget is likely to not be realized in full.

5.2 YTD BUDGET COLLECTION RATE (YEAR TO DATE):

Own Revenue Category	Annual Budget	Special Adjustment MFMA s28(2)g	YTD Collection	YTD Rate
Property rates	R 116,112,864.00	R 116,112,864.00	R 52,444,465.09	45%
Service charges - electricity revenue	R 235,879,032.00	R 235,879,032.00	R 118,596,005.04	50%
Service charges - water revenue	R 59,721,324.00	R 59,721,324.00	R 24,583,444.73	41%
Service charges - sanitation revenue	R 21,978,048.00	R 21,978,048.00	R 7,460,959.03	34%
Service charges - refuse revenue	R 25,791,144.00	R 25,791,144.00	R 9,193,783.43	36%
Interest earned - external investment	R 491,700.00	R 491,700.00	R 861,238.82	175%
Interest earned - outstanding debtors	R 24,215,748.00	R 24,215,748.00	R 2,705,998.80	11%
Transfers and subsidies	R 308,773,000.00	R 308,773,000.00	R 309,777,000.00	100%
Other revenue	R 35,821,164.00	R 35,821,164.00	R 11,728,037.29	33%
Total Revenue	R 828,784,024.00	R 828,784,024.00	R 537,350,932.23	65%

- The year-to-date collection rate for total revenue is 65% which is less with 30% 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.
- Under Transfers and subsidies, we have received 100% of the Expected collection. The reason for overcollection is due to the additional funds received under RBIG.

5.3 DEBTORS AGE ANALYSIS BY CONSUMER GROUP:

Account Type	Sum of 202303 (30 Days)	Sum of 202302 (60 Days)	Sum of 202301 (90 Days)	Sum of 202212 (120 Days)	Sum of 202211 (150 Days)	Sum of 202210 (180 Days)	Sum of 202209- 202205 (210 Days to 1 Year)	Sum of 202204+ (Over 1 Year)	Total
AGRICULTURAL	R 1,515,287.14	R 1,334,295.75	R 1,297,433.90	R 1,247,513.67	R 1,259,403.79	R 1,198,352.06	R 5,455,077.29	R 88,570,800.95	R 101,878,164.55
BUSINESS	R 5,294,937.16	R 1,367,427.75	R 1,133,252.10	R 1,001,939.10	R 788,283.15	R 812,860.24	R 4,036,359.08	R 21,310,749.87	R 35,745,808.45
INDUSTRIAL	R 1,102,270.61	R 406,696.47	R 377,787.00	R 345,010.21	R 346,739.34	R 358,945.93	R 1,844,795.56	R 12,234,509.97	R 17,016,755.09
MINING	R 672.21	R 672.21	R 672.21	R 672.21	R 672.21	R 672.21	R 3,913.38	R 30,114.66	R 38,061.30
MULTIPLE USE P	R 1,085,553.15	R 705,700.93	R 609,249.26	R 592,201.63	R 578,312.94	R 570,047.30	R 2,675,206.41	R 32,611,576.15	R 39,427,847.77
PROTECTED AREA	R 2,770.22	R 2,770.22	R 2,711.29	R 2,534.45	R 2,534.45	R 2,534.45	R 11,316.63	R 546,114.46	R 573,286.17
PUBLIC BEN ORG	R 75,913.10	R 47,824.63	R 44,770.47	R 43,763.80	R 44,860.51	R 46,557.46	R 104,979.89	R 1,488,244.97	R 1,896,914.83
PUBLIC SERVINF	R 51,149.50	R 49,232.66	R 45,787.03	R 42,681.57	R 42,273.41	R 45,653.92	R 198,079.19	R 2,277,603.56	R 2,752,460.84
PUBLIC SERVPURP	R 954,229.82	R 420,904.06	R 239,001.66	R 238,570.17	R 198,917.10	R 181,527.07	R 347,000.03	R 1,758,895.73	R 4,339,045.64
RESIDENTIAL	R 11,084,223.11	R 8,596,086.81	R 7,962,659.85	R 7,516,772.50	R 7,209,627.57	R 6,925,475.30	R 32,777,532.35	R 269,639,415.78	R 351,711,793.27
RESIDENTIAL OTH	R 1,325,415.71	R 722,372.47	R 610,413.31	R 547,286.56	R 525,577.67	R 536,497.29	R 2,383,591.71	R 11,669,779.36	R 18,320,934.08
UNDEVELOPED	R 2,104,418.70	R 2,028,088.02	R 1,644,809.66	R 1,597,792.23	R 1,572,140.48	R 1,543,002.72	R 7,624,025.32	R 80,106,361.26	R 98,220,638.39
Grand Total	R 24,596,840.43	R 15,682,071.98	R 13,968,547.74	R 13,176,738.10	R 12,569,342.62	R 12,222,125.95	R 57,461,876.84	R 522,244,166.72	R 671,921,710.38

- Debtor's book is sitting at R671 million as of 31 March 2023. Residential households owe the municipality around 55%, Businesses owe 5%, Agriculture owes the municipality around 15%, Government owe the municipality around 1% and other owes the municipality 23%.

5.4 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 187,838,000	R 187,838,000	R -	100%
Finance Management Grant (FMG)	R 3,000,000	R 3,000,000	R 972,829	R 2,027,171	32%
Expanded Public Works Programme (EPWP)	R 1,932,000	R 1,932,000	R 1,932,000	R -	100%
Municipal Infrastructural Grant (MIG)	R 53,907,000	R 53,907,000	R 31,618,924	R 22,288,076	59%
Water Service Infrastructure Grant (WSIG)	R 40,000,000	R 40,000,000	R 4,098,154	R 35,901,846	10%
Regional Bulk Infrastructure	R 2,000,000	R 5,100,000	R 992,804	R 4,107,196	19%
Integrated National Electrification	R 20,000,000	R 18,000,000	R 6,070,408	R 11,929,592	34%
GRANT TOTAL	R 308,773,000	R 309,777,000	R 233,523,119	R 76,253,881	75%

- FMG, MIG, RBIG and INEG are under performing the municipality must have an acceleration plan to ensure that all grants have spent 100% as at year end to avoid roll over.

5.5 OPERATING EXPENDITURE PERFORMANCE:

Expenditure By Type	Original Budget 2022/23	Special Adjustment MFMA s28(2)g	YTD 2022/23	Actual Expenditure March 2023	%
Employee related costs	R 254,916,036.00	R 254,916,036.00	R 166,555,647.00	R 18,242,092.00	65%
Remuneration of councillors	R 14,122,692.00	R 14,122,692.00	R 9,078,297.00	R 976,919.00	64%
Bulk purchases - electricity	R 165,000,000.00	R 165,000,000.00	R 110,490,923.00	R 5,478,729.00	67%
Inventory consumed	R 8,180,004.00	R 8,380,004.00	R 7,207,142.00	R 689,816.00	86%
Debt impairment	R 114,277,932.00	R 114,277,932.00	R -	R -	0%
Depreciation and amortisation	R 70,721,988.00	R 70,721,988.00	R 42,263,951.00	R 4,781,629.00	60%
Interest	R 30,000,000.00	R 30,000,000.00	R 54,109,219.00	R 5,230,854.00	180%
Contracted services	R 132,969,960.00	R 133,269,960.00	R 100,088,159.00	R 13,855,175.00	75%
Transfers and subsidies	R 800,004.00	R 800,004.00	R -	R -	0%
Irrecoverable debts written off	R -	R -	R 9,432,824.00	R 58,233.00	0%
Operational costs	R 94,062,576.00	R 93,562,576.00	R 108,239,883.00	R 10,714,912.00	116%
Losses on disposal of Assets	R -	R -	R -	R -	0%
Other Losses	R -	R -	R -	R -	0%
Total Expenditure	R 885,051,192.00	R 885,051,192.00	R 607,466,045.00	R 60,028,359.00	69%

- The overall expenditure is at 69% of which is a good financial practice, and it shows that expenditure is spending within the budget.

5.6 CAPITAL EXPENDITURE PERFORMANCE:

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

PROJECTS BY VOTE	ORIGINAL BUDGET	SPECIAL ADJUSTMENT MFMA s28(2)g	ACTUAL EXPENDITURE MARCH 2023	YTD EXPENDITURE	% YTD/BUDGET
WATER PROJECTS	R 31,119,857.00	R 7,362,410.92	R 1,507,262.37	R 5,636,831.98	77%
ELECTRICITY	R 20,000,000.00	R 20,000,000.00	R 2,393,038.42	R 6,070,407.67	30%
SANITATION PROJECTS	R 61,313,114.00	R 62,335,613.47	R 2,978,010.54	R 9,560,050.19	15%
ROADS	R 778,729.00	R 23,513,675.18	R 4,691,548.69	R 18,947,868.25	81%
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 11,569,860.02	R 43,490,936.04	35%

- 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 AS AT 31 MARCH 2023:

BANK	AMOUNT
Standard Bank Primary Account	2,847,967.95
Standard Bank Traffic Account	28.23
Standard Bank Call 1 : POST OFFICE GUARANTEE	134,962.65
Standard Bank Call 2 : MIG CALL ACCOUNT	15,958,825.89
Standard Bank Call 3 : MWIG CALL ACCOUNT	9,027,575.76
Standard Bank Call 4 : RINGFENCE ELEC CALL ACCOUNT	5,657,062.10
Standard Bank Call 7 : INVESTMENT ACCOUNT	1,633.02
TOTAL BANK BALANCE	33,628,055.60

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 MARCH 2023 be approved.