

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

Sabie Unit:
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**THABA CHWEU
LOCAL MUNICIPALITY**

24 Hors 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: 14 September 2023

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

Dear Madam

SUBJECT: ACKNOWLEDGEMENT OF RECIEPT: SECTION 71 REPORT FOR August 2023

We hereby submit the Section 71 report for the month of August 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: 14 / 09 / 2023

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MEMORANDUM

TO : MR. RS MAKWAKWA (THE ACTING MUNICIPAL MANAGER)
FROM : MR. KP MASHEGO (THE DEPUTY CHIEF FINANCIAL OFFICER)
DATE : 14 SEPTEMBER 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 AUGUST 2023.

I trust you will find the above in order.

Kind Regards



Mr. KP MASHEGO
THE DEPUTY CHIEF FINANCIAL OFFICER
Date: 14 / 09 / 2023

THABA CHWEU LOCAL MUNICIPALITY



SECTION 71 REPORT FOR THE MONTH OF AUGUST 2023-2024 FY

FINANCE REPORT ON SECTION 71 OF THE MFMA

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

5.1 SERVICE CHARGES

Type	Annual Approved Budgeted Revenue	Monthly Budgeted Revenue	August 2023 Billing	August 2023 Collection	Collection Rate
Property Rates	R 125 000 000.00	R 10 416 666.67	R 10 245 937.00	R 7 923 267.67	77%
Water	R 66 543 000.00	R 5 545 250.00	R 6 105 471.00	R 3 799 129.96	62%
Sewerage	R 23 032 000.00	R 1 919 333.33	R 1 724 892.00	R 953 749.31	55%
Electricity	R 212 788 999.00	R 17 732 416.58	R 18 087 007.00	R 16 544 593.23	91%
Refuse	R 25 374 000.00	R 2 114 500.00	R 2 090 334.00	R 1 180 324.91	56%
TOTAL	R 452 737 999.00	R 37 728 169.58	R 38 253 641.00	R 30 401 065.08	79%

- The Municipality's Billed Revenue for August is 101% of the Monthly Budgeted Revenue. This indicates that the budget projections for service charges were realistic because there is no material variances.
- The monthly collection rate for services for August 2023 is 79% which is less than the norm (95%) of the billed revenue.

5.2 YTD BUDGET COLLECTION RATE (YEAR TO DATE):

Own Revenue Category	Annual Budget	YTD Collection	YTD Rate
Property rates	R 125 000 000.00	R 12 075 334.88	10%
Service charges - electricity revenue	R 212 788 999.00	R 29 179 121.51	14%
Service charges - water revenue	R 66 543 000.00	R 5 676 267.43	9%
Service charges - sanitation revenue	R 23 032 000.00	R 1 512 745.85	7%
Service charges - refuse revenue	R 25 374 000.00	R 1 892 950.15	7%
Interest earned - external investments	R 5 000 000.00	R 574 835.01	11%
Interest earned - outstanding debtors	R 20 000 000.00	R 827 134.66	4%
Transfers and subsidies	R 358 941 000.00	R 123 132 000.00	34%
Other revenue	R 63 772 000.00	R 1 496 931.23	2%
Total Revenue	R 900 450 999.00	R 176 367 320.72	20%

- The year-to-date collection rate for total revenue is 20%. The municipality must fully implement the credit control policy and other revenue enhancement strategies to improve revenue collection. (Please refer to annexure A for detailed and mscoa compliant revenue report)
- Transfers and subsidies were received as per the payment schedule.

5.3 DEBTORS AGE ANALYSIS BY CONSUMER GROUP:

Account Type	30 Days	60 Days	90 Days	120 Days	150 Days+	Sum of TOTAL
AGRICULTURAL	R 2 508 412.39	R 2 267 874.73	R 1 342 216.54	R 1 308 927.94	R 98 930 229.75	R 106 357 661.35
BUSINESS	R 6 343 129.82	R 2 057 484.75	R 1 046 899.35	R 801 983.45	R 27 317 783.84	R 37 567 281.21
INDUSTRIAL	R 1 413 590.56	R 394 164.53	R 487 615.61	R 296 207.07	R 14 830 098.38	R 17 421 676.15
MINING	R 1 855.15	R 1 855.15	R 672.21	R 672.21	R 38 733.51	R 43 788.23
MULTIPLE USE P	R 1 437 749.59	R 1 159 282.01	R 877 906.22	R 770 804.08	R 36 594 596.33	R 40 840 338.23
PROTECTED AREA	R 3 005.99	R 2 690.76	R -	R -	R 573 286.17	R 578 982.92
PUBLIC BEN ORG	R 403 060.71	R 102 163.68	R 73 589.39	R 75 198.49	R 1 860 832.86	R 2 514 845.13
PUBLIC SERVINF	R 43 776.99	R 33 692.33	R 46 106.99	R 46 660.67	R 2 595 064.88	R 2 765 301.86
PUBLIC SERVPURP	R 1 176 655.71	R 536 142.62	R 274 310.65	R 237 894.60	R 2 594 920.75	R 4 819 924.33
RESIDENTIAL	R 12 920 420.83	R 8 876 445.08	R 7 620 368.77	R 7 944 046.24	R 338 621 532.02	R 375 982 812.94
RESIDENTIAL OTH	R 1 571 314.93	R 744 199.30	R 529 653.53	R 483 868.44	R 15 757 152.07	R 19 086 188.27
UNDEVELOPED	R 2 243 104.63	R 1 981 874.21	R 1 870 085.89	R 1 778 473.08	R 93 970 906.27	R 101 844 444.08
Grand Total	R 30 066 077.30	R 18 157 869.15	R 14 169 425.15	R 13 744 736.27	R 633 685 136.83	R 709 823 244.70

- Debtor's book is sitting at R 709 million as of 31 AUGUST 2023. Residential households owe the municipality around 56%, Businesses owe 8%, Agriculture owes the municipality around 15%, Government owe the municipality around 1% and other owes the municipality 20%
- The debtors book increased by R7 million from the previous month, this is a clear indication that consumers are not paying their debts, the municipality must fully implement the credit control and debt collection policy.

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	207 969 000.00	86 654 000.00	86 654 000.00	-	100%
Finance Management Grant (FMG)	3 000 000.00	3 000 000.00	83 333.30	2 916 666.70	3%
Expanded Public Works Programme (EPWP)	1 731 000.00	433 000.00	636 423.48	- 203 423.48	147%
Municipal Infrastructural Grant (MIG)	56 241 000.00	16 045 000.00	4 770 709.79	11 274 290.21	30%
Water Service Infrastructure Grant (WSIG)	80 000 000.00	15 000 000.00		15 000 000.00	0%
Regional Bulk Infrastructure Grant (RBIG)	10 000 000.00	2 000 000.00		2 000 000.00	0%
GRANT TOTAL	358 941 000.00	123 132 000.00	92 144 466.57	30 987 533.43	75%

- The Municipality spent 3% on MFG, 147% on EPWP and 30% on MIG. WSIG and RBIG did not spend at the end of August. The end user departments responsible for managing grants should ensure that procurement processes are done on time to avoid roll overs at the end of the financial year.

5.5 OPERATING EXPENDITURE PERFORMANCE:

<u>Expenditure By Type</u>	Original Budget 2023/24	Actual Expenditure August 2023	YTD Expenditure	%
Employee related costs	R 245 859 006.00	R 19 679 337.00	R 37 931 979.00	15%
Remuneration of councillors	R 12 500 000.00	R 947 801.00	R 1 923 281.00	15%
Bulk purchases - electricity	R 195 855 000.00	R 33 814 214.00	R 53 766 325.00	27%
Inventory consumed	R 11 449 956.00	R 5 849 132.00	R 1 301 473.00	11%
Debt impairment	R 103 499 952.00	R -	R -	0%
Depreciation and amortisation	R 80 000 000.00	R -	R -	0%
Interest	R 45 000 000.00	R 10 573 260.00	R 18 814 988.00	42%
Contracted services	R 171 229 748.00	R 9 188 367.00	R 19 055 613.00	11%
Transfers and subsidies	R 999 996.00	R -	R -	0%
Irrecoverable debts written off	R 11 500 000.00	R 2 184 335.00	R 2 251 301.00	20%
Operational costs	R 98 791 995.00	R 5 107 101.00	R 35 442 315.00	36%
Total Expenditure	R 976 685 653.00	R 87 343 547.00	R 170 487 275.00	17%

- Total Expenditure is sitting at 17% as at end of August 2023. Line item for interest is already sitting at 42% within two months of the financial year. This expenditure will be less if National Treasury approves our Debt Relief application.

5.6 CAPITAL EXPENDITURE PERFORMANCE:

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

PROJECTS BY VOTE	ORIGINAL BUDGET	ACTUAL EXPENDITURE August 2023	YTD EXPENDITURE	% YTD/BUDGET
WATER PROJECTS	R 20 033 786.00	R 1 632 119.92	R 1 632 119.92	8%
ELECTRICITY	R 5 500 000.00	R -	R -	0%
SANITATION PROJECTS	R 98 752 178.17	R -	R -	0%
ROADS	R 15 649 636.00	R 2 568 496.89	R 2 568 496.89	16%
VEHICLE	R 4 000 000.00	R -	R -	0%
MACHINERY & EQUIPMENT	R 5 300 000.00		R 258 111.30	5%
MINI SUBSTATIONS & TRANSFORMERS	R 3 880 000.00	R 1 490 000.00	R 1 490 000.00	38%
OFFICE EQUIPMENT/COMPUTERS	R 1 500 000.00			0%
FURNITURE	R 500 000.00			0%
BUILDINGS	R 500 000.00			0%
WASTE MANAGEMENT	R 9 000 000.00			0%
TOTAL	R 164 615 600.17	R 5 690 616.81	R 5 948 728.11	68%

- Capital expenditure budget is at 68% of the total budget, proper plans must be implemented to ensure that the budget is 100% spent as of 30 June 2024.
- The municipality must ensure that procurement processes are done on time to realize 100% spending at year end.

5.7 INVESTMENT PORTFOLIO AND BANK BALANCES AS AT 31 AUGUST 2023

INVESTMENTS PORTFOLIO 2022 FY						
Institution		New Investment	Interest Received/ Capitalised	Investment Withdrawn	Terms	Closing Balance
INVESTMENTS						
NEDBANK INVESTMENT						
Account No: 03/7881149280/000015 Source of Funds: WSIG Original Invested Amount: R25 000 000 Effective date: 07 July 2023 Maturity date: 07 September 2023	R -	R 25 000 000.00	R 391 534.25		82 day @ 9.22%	R 25 391 534.25
NEDBANK INVESTMENT						
Account No: 03/7881149280/000014 Source of Funds: Equitable Share Original Invested Amount: R15 000 000 Effective date: 07 July 2023 Maturity date: 08 August 2023	R -	R15 000 000	R 120 197.28	R 15 120 197.28	32 days@9.14%	R 0.00
NEDBANK INVESTMENT						
Account No: 03/7881149280/000016 Source of Funds: Equitable Share Original Invested Amount: R15 000 000 Effective date: 11 August 2023 Maturity date: 11 October 2023		R 15 000 000.00	R 76 851.37		81 days@8.9050%	R 16 076 851.37
SUB TOTAL		R 55 000 000.00	R 588 582.88	R 15 120 197.28		R 40 468 385.62

BANK	Bank statement
Standard Bank Primary Account	R 6 969 658.87
Standard Bank Traffic Account	
Standard Bank Call 1 : POST OFFICE GUARANTEE	R 139 327.21
Standard Bank Call 2 : MIG CALL ACCOUNT	R 76 313.57
Standard Bank Call 3 : MWIG CALL ACCOUNT	R 6 904 937.41
Standard Bank Call 4 : RINGFENCE ELEC CALL ACCOUNT	R 15 120 321.91
Standard Bank Call 7 : INVEST CALL ACCOUNT	R 1 633.02
Standard Bank Call 11 : NEDBANK INVEST CALL ACCOUNT	
TOTAL BANK BALANCE	R 29 212 191.99

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 AUGUST 2023 be approved.

ANNEXTURE A: DETAILED BILLING AND COLLECTION

Description	Budget Original Budget	Monthly Revenue Budget	M02 August Billing	M02 August Collection	YTD Billing	YTD Collection
Operating Revenue and Expenditure						
Operating Revenue	R 754 209 999.00	R 62 850 833.25	R 48 388 589.00	R 35 281 306.17	R 164 863 257.00	R 143 065 854.21
Exchange Revenue						
Service charges - Electricity	R 212 788 999.00	R 17 732 416.58	R 18 087 007.00	R 16 496 989.75	R 35 140 888.00	R 29 131 518.03
Service charges - Water	R 66 543 000.00	R 5 545 250.00	R 6 105 471.00	R 3 757 728.20	R 11 686 764.00	R 5 634 865.67
Service charges - Waste Water Man	R 23 032 000.00	R 1 919 333.33	R 1 724 892.00	R 870 238.07	R 3 463 766.00	R 1 429 234.61
Service charges - Waste Managem	R 25 374 000.00	R 2 114 500.00	R 2 090 334.00	R 1 093 178.16	R 4 157 110.00	R 1 805 803.40
Sale of Goods and Rendering of Se	R 4 240 000.00	R 353 333.33	R 139 511.00	R 139 510.86	R 165 930.00	R 165 929.90
Agency services	R -		R -	R -	R -	R -
Interest	R -		R -	R -	R -	R -
Interest earned from Receivables	R 12 010 511.00	R 1 000 875.92	R 2 434 422.45	R 128 360.07	R 4 825 121.23	R 229 969.58
Interest earned from Current and N	R 5 000 000.00	R 416 666.67	R 445 325.00	R 445 325.30	R 574 835.00	R 574 835.01
Dividends	R -		R -		R -	R -
Rent on Land	R -		R -		R -	R -
Rental from Fixed Assets	R 5 000 000.00	R 416 666.67	R 191 677.00	R 45 904.86	R 372 545.00	R 226 772.86
Licence and permits	R -		R -		R -	R -
Operational Revenue	R 35 760 000.00	R 2 980 000.00	R 128 617.00	R 128 617.28	R (425 445.00)	R 682 679.04
Non-Exchange Revenue						
Property rates	R 125 000 000.00	R 10 416 666.67	R 10 245 937.00	R 7 923 267.67	R 20 596 767.00	R 12 075 334.88
Surcharges and Taxes	R -		R -	R -	R -	R -
Fines, penalties and forfeits	R 7 500 000.00	R 625 000.00	R 107 084.00	R 107 064.00	R 147 384.00	R 147 383.79
Licences or permits	R 500 000.00	R 41 666.67	R 14 522.00	R 14 521.79	R 14 522.00	R 14 521.79
Transfer and subsidies - Operations	R 212 710 000.00	R 17 725 833.33	R 381 499.00	R 3 433 000.00	R 76 071 061.00	R 90 087 000.00
Interest	R 7 989 489.00	R 665 790.75	R 1 493 350.55	R 575 803.31	R 3 021 312.77	R 600 361.80
Fuel Levy	R -		R -		R -	R -
Operational Revenue	R 9 762 000.00	R 813 500.00	R 251 301.00	R 121 796.85	R 503 037.00	R 259 643.85
Gains on disposal of Assets	R 1 000 000.00	R 83 333.33	R -		R -	R -
Other Gains	R -		R 4 547 659.00	R -	R 4 547 659.00	R -
Discontinued Operations	R -		R -		R -	R -
Capital Revenue	R 146 241 000.00	R 12 186 750.00	R 4 486 319.00	R 2 000 000.00	R 4 770 710.00	R 33 045 000.00
Transfers and subsidies - capital (mon	R 146 241 000.00	R 12 186 750.00	R 4 486 319.00	R 2 000 000.00	R 4 770 710.00	R 33 045 000.00
	R 900 450 999.00	R 75 037 583.25	R 52 874 908.00	R 37 281 306.17	R 169 633 967.00	R 176 110 854.21