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LOCAL MUNICIPALITY**

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All Correspondence to be directed
To the Municipal Manager

MEMORANDUM

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

I trust you will find the above in order.

Kind Regards



MR. KP MASHEGO
THE DEPUTY CHIEF FINANCIAL OFFICER

Date: 15/11/2023

THABA CHWEU LOCAL MUNICIPALITY



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

FINANCE REPORT ON SECTION 71 OF THE MFMA

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

5.1 SERVICE CHARGES

Type	Annual Approved Budgeted Revenue	Monthly Budgeted Revenue	October 2023 Billing	October 2023 Collection	Collection Rate
Property Rates	R 125 000 000.00	R 10 416 666.67	R 10 373 430.00	R 6 915 674.73	67%
Water	R 66 543 000.00	R 5 545 250.00	R 5 062 160.00	R 3 959 156.91	78%
Sewerage	R 23 032 000.00	R 1 919 333.33	R 1 734 611.00	R 1 089 488.57	63%
Electricity	R 212 788 999.00	R 17 732 416.58	R 17 030 465.00	R 17 618 744.03	103%
Refuse	R 25 374 000.00	R 2 114 500.00	R 2 055 569.00	R 1 308 839.86	64%
TOTAL	R 462 737 999.00	R 37 728 166.68	R 36 256 236.00	R 30 891 904.10	85%

- The Municipality's Billed Revenue for OCTOBER is 96% of the Monthly Budgeted Revenue. This indicates that the budget projections for service charges were realistic since material variance is less than 10%.
- The monthly collection rate for services for OCTOBER 2023 is 85% 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 25 446 874.23	20%
Service charges - electricity revenue	R 212 788 999.00	R 61 590 288.94	29%
Service charges - water revenue	R 66 543 000.00	R 12 726 496.12	19%
Service charges - sanitation revenue	R 23 032 000.00	R 3 540 075.42	15%
Service charges - refuse revenue	R 25 374 000.00	R 4 348 615.90	17%
Interest earned - external investments	R 5 000 000.00	R 1 413 431.01	28%
Interest earned - outstanding debtors	R 20 000 000.00	R 1 638 041.12	8%
Transfers and subsidies	R 358 941 000.00	R 123 132 000.00	34%
Other revenue	R 63 772 000.00	R 1 693 752.87	3%
Total Revenue	R 900 450 999.00	R 235 529 575.61	26%

- The year-to-date collection rate for total revenue is 26%. 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 2 568 624.74	R 2 325 791.22	R 2 200 837.30	R 2 154 846.80	R 100 877 317.76	R 110 127 417.82
BUSINESS	R 5 482 808.60	R 1 531 398.63	R 1 430 192.01	R 1 016 649.59	R 26 563 388.61	R 36 024 437.44
INDUSTRIAL	R 1 048 464.52	R 454 621.56	R 346 842.51	R 317 789.85	R 14 939 617.92	R 17 107 336.36
MINING	R 1 855.15	R 1 855.15	R 1 855.15	R 1 855.15	R 40 077.93	R 47 498.53
MULTIPLE USE P	R 1 481 651.24	R 1 194 849.57	R 1 164 994.64	R 1 116 083.81	R 38 128 415.15	R 43 085 994.41
PROTECTED AREA	R 3 005.99	R 3 005.99	R 3 005.99	R 2 690.76	R 573 286.17	R 584 994.90
PUBLIC BEN ORG	R 313 284.99	R 87 442.71	R 117 180.11	R 74 439.57	R 1 968 907.43	R 2 561 254.81
PUBLIC SERVINF	R 40 672.74	R 37 696.51	R 41 646.37	R 33 692.33	R 2 684 886.22	R 2 838 594.17
PUBLIC SERVPURP	R 947 048.71	R 781 798.01	R 571 702.81	R 267 637.86	R 2 728 191.59	R 5 296 378.98
RESIDENTIAL	R 11 944 759.19	R 9 251 666.05	R 9 305 702.29	R 8 124 829.27	R 349 931 752.20	R 388 558 709.00
RESIDENTIAL OTH	R 1 465 271.12	R 698 395.20	R 715 666.73	R 598 536.50	R 16 307 657.02	R 19 785 526.57
UNDEVELOPED	R 2 246 193.49	R 1 956 618.74	R 1 962 798.54	R 1 893 690.92	R 95 683 658.21	R 103 742 959.90
GRAND TOTAL	R 27 543 640.48	R 18 325 139.34	R 17 862 424.45	R 15 602 742.41	R 650 427 156.21	R 729 761 102.89

- Debtor's book is sitting at R729 million as of 31 OCTOBER 2023. Residential households owe the municipality around 56%, Businesses owe 7%, Agriculture owes the municipality around 15%, Government owe the municipality around 1% and other owes the municipality 20%
- The debtors book increased by R7.2 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	R 207 969 000	R 86 654 000	R 86 654 000	R -	100%
Finance Management Grant (FMG)	R 3 000 000	R 3 000 000	R 150 000	R 2 850 000	5%
Expanded Public Works Programme (EPWP)	R 1 731 000	R 433 000	R 1 224 137	-R 791 137	283%
Municipal Infrastructural Grant (MIG)	R 56 241 000	R 16 045 000	R 13 040 148	R 3 004 852	81%
Water Service Infrastructure Grant (WSIG)	R 80 000 000	R 15 000 000		R 15 000 000	0%
Regional Bulk Infrastructure	R 10 000 000	R 2 000 000		R 2 000 000	0%
GRANT TOTAL	R 358 941 000	R 123 132 000	R 101 068 285	R 22 063 715	82%

- FMG,WSIG and MIG expenditure to date is less than expected. Departments responsible for management of the above grants should ensure that they have proper plans in place to realize 100% expenditure at the end of the financial year.

5.5 OPERATING EXPENDITURE PERFORMANCE:

Expenditure By Type	Original Budget 2023/24	Actual Expenditure October 2023	YTD 2023/24	%
Employee related costs	R 245 859 006.00	R 20 361 398.00	R 77 792 091.00	32%
Remuneration of councillors	R 12 500 000.00	R 1 609 169.00	R 4 481 690.00	36%
Bulk purchases - electricity	R 195 855 000.00	R 19 339 437.00	R 90 111 369.00	46%
Inventory consumed	R 11 449 956.00	R 1 618 182.00	R 3 402 131.00	30%
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 11 176 999.00	R 38 780 216.00	86%
Contracted services	R 171 229 748.00	R 17 992 508.00	R 49 106 445.00	29%
Transfers and subsidies	R 999 996.00	R -	R 1 000 000.00	100%
Irrecoverable debts written off	R 11 500 000.00	R 669 278.00	R 3 175 411.00	28%
Operational costs	R 98 791 995.00	R 10 325 366.00	R 50 103 012.00	51%
Total Expenditure	R 976 685 653.00	R 83 092 337.00	R 317 952 365.00	33%

- Total Expenditure is sitting at 33% as at end of OCTOBER 2023. Line item for interest is already sitting at 86% within four months of the financial year. Other expenditure are performing as expected.

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 OCTOBER 2023	YTD EXPENDITURE	% YTD/BUDGET
WATER PROJECTS	R 20 033 786.00	R -	R 1 632 119.92	8%
ELECTRICITY	R 5 500 000.00	R -	R -	0%
SANITATION PROJECTS	R 98 752 178.17	R 7 652 146.65	R 7 652 146.65	8%
ROADS	R 15 649 636.00	R -	R 2 568 496.89	16%
VEHICLE	R 4 000 000.00	R -	R -	0%
MACHINERY & EQUIPMENT	R 5 300 000.00	R 5 095 386.86	R 5 353 498.16	101%
MINI SUBSTATIONS & TRANSFORMERS	R 3 880 000.00	R 392 626.10	R 1 882 626.10	49%
OFFICE EQUIPMENT/COMPUTERS	R 1 500 000.00	R -		0%
FURNITURE	R 500 000.00	R -		0%
BUILDINGS	R 500 000.00	R -		0%
WASTE MANAGEMENT	R 9 000 000.00	R -		0%
TOTAL	R 164 616 600.17	R 13 140 159.61	R 19 088 887.72	12%

- Capital expenditure budget is at 12% of the total budget, The municipality must ensure that procurement processes are finalized on time to realize 100% spending at year end.

5.7 INVESTMENT PORTFOLIO AND BANK BALANCES AS AT 31 OCTOBER 2023

INVESTMENTS PORTFOLIO 2022 FY						
Institution		New Investment	Interest Received/ Capitalised	Investment Withdrawn	Terms	Closing Balance
INVESTMENTS						
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 223 234.93	R 15 223 234.93	61 days@8.9050%	R -
STANDARD BANK INVESTMENT Account No: 488610621-016 Source of Funds: WSIG Original invested Amount: R20 000 000 Effective date: 08 September 2023 Maturity date: 06 November 2023		R 20 000 000.00	R 267 465.75		60 days@8.875%	R 20 267 465.75
SUB TOTAL		R 35 000 000.00	R 490 700.68	R 15 223 234.93		R 20 267 465.75

- The municipality had two investments of which one had mature during reporting period.

BANK	Bank statement
Standard Bank Primary Account	R 3 551 604.22
Standard Bank Traffic Account	R 28.23
Standard Bank Call 1 : POST OFFICE GUARANTEE	R 141 149.34
Standard Bank Call 2 : MIG CALL ACCOUNT	R 77 266.68
Standard Bank Call 3 : MWIG CALL ACCOUNT	R 1 938 545.63
Standard Bank Call 4 : RINGFENCE ELEC CALL ACCOUNT	R 3 649 586.31
Standard Bank Call 7 : INVEST CALL ACCOUNT	R 1 633.02
TOTAL BANK BALANCE	R 9 359 813.43

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 OCTOBER 2023 be approved.

ANNEXTURE A: DETAILED BILLING AND COLLECTION

DETAILED BILLING AND COLLECTION REPORT						
Description	Budget Original Budget	Monthly Revenue Budget	M03 October Billing	M03 October Collection	YTD Billing	YTD Collection
Operating Revenue and Expenditure						
Operating Revenue	R 754 209 999.00	R 62 850 833.25	R 41 494 145.00	R 31 735 503.71	R 206 100 168.00	R 202 484 575.67
Exchange Revenue						
Service charges - Electricity	R 212 788 999.00	R 17 732 418.58	R 17 030 465.00	R 17 464 128.03	R 52 171 353.00	R 61 358 883.06
Service charges - Water	R 66 543 000.00	R 5 545 250.00	R 5 062 160.00	R 3 870 955.85	R 16 748 924.00	R 12 555 170.14
Service charges - Waste Water Management	R 23 032 000.00	R 1 919 333.33	R 1 734 611.00	R 904 214.97	R 5 198 377.00	R 3 227 050.90
Service charges - Waste Management	R 25 374 000.00	R 2 114 500.00	R 2 055 569.00	R 1 125 816.96	R 6 212 679.00	R 4 033 990.65
Sale of Goods and Rendering of Services	R 4 240 000.00	R 353 333.33	R 383 469.00	R 383 469.00	R 549 399.00	R 621 429.83
Agency services	R -	R -	R -	R -	R -	R -
Interest	R -	R -	R -	R -	R -	R -
Interest earned from Receivables	R 12 010 511.00	R 1 000 875.92	R 2 462 556.12	R 81 742.86	R 7 287 677.35	R 544 977.36
Interest earned from Current and Non Current Assets	R 5 000 000.00	R 416 866.67	R 294 724.00	R 294 724.00	R 869 559.00	R 1 413 431.01
Dividends	R -	R -	R -	R -	R -	R -
Rent on Land	R -	R -	R -	R -	R -	R -
Rental from Fixed Assets	R 5 000 000.00	R 416 866.67	R 185 948.00	R 5 004.21	R 558 493.00	R 239 220.06
Licence and permits	R -	R -	R -	R -	R -	R -
Operational Revenue	R 35 760 000.00	R 2 980 000.00	R (481 541.00)	R (481 541.00)	R (1 164 220.00)	R 330 736.04
Non-Exchange Revenue						
Property rates	R 125 000 000.00	R 10 416 686.67	R 10 346 176.00	R 6 915 674.73	R 30 942 943.00	R 25 446 874.23
Surcharges and Taxes	R -	R -	R -	R -	R -	R -
Fines, penalties and forfeits	R 7 500 000.00	R 625 000.00	R 168 782.00	R 168 782.00	R 316 166.00	R 421 465.79
Licences or permits	R 500 000.00	R 41 686.67	R 35 331.00	R 35 331.00	R 49 853.00	R 60 369.79
Transfer and subsidies - Operational	R 212 710 000.00	R 17 725 833.33	R 395 808.00	R -	R 76 466 869.00	R 90 087 000.00
Interest	R 7 989 489.00	R 685 790.75	R 1 588 211.88	R 356 044.00	R 4 589 524.65	R 1 113 571.02
Fuel Levy	R -	R -	R -	R -	R -	R -
Operational Revenue	R 9 782 000.00	R 813 500.00	R 251 875.00	R 611 157.10	R 754 912.00	R 1 030 405.79
Gains on disposal of Assets	R 1 000 000.00	R 83 333.33	R -	R -	R -	R -
Other Gains	R -	R -	R -	R -	R 4 547 659.00	R -
Discontinued Operations	R -	R -	R -	R -	R -	R -
					R -	R -
Capital Revenue	R 146 241 000.00	R 12 186 750.00	R 7 983 736.00	R -	R 12 754 446.00	R 33 045 000.00
					R -	R -
Transfers and subsidies - capital (monetary allocations)	R 146 241 000.00	R 12 186 750.00	R 7 983 736.00	R -	R 12 754 446.00	R 33 045 000.00
	R 900 450 999.00	R 76 037 583.25	R 49 477 881.00	R 31 735 503.71	R 218 854 614.00	R 235 529 575.67