

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
Fax: 013 767 1611

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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: 15 August 2023

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

Dear Madam

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

We hereby submit the Section 71 report for the month of June 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: 15 / 08 / 2023

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MEMORANDUM

TO : MR. MP MANKGA (THE ACTING MUNICIPAL MANAGER)
FROM : MR. KP MASHEGO (THE DEPUTY CHIEF FINANCIAL OFFICER)
DATE : 15 AUGUST 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 JULY 2023.

I trust you will find the above in order.

Kind Regards



Mr. KP MASHEGO
THE DEPUTY CHIEF FINANCIAL OFFICER

Date: 15/08/2023

THABA CHWEU LOCAL MUNICIPALITY



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

MFMA SECTION 71 REPORT JULY 2023

FINANCE REPORT ON SECTION 71 OF THE MFMA

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

MFMA SECTION 71 REPORT JULY 2023

5.1 SERVICE CHARGES

Type	Annual Approved Budgeted Revenue	Monthly Budgeted Revenue	July 2023 Billing	July 2023 Collection	Collection Rate
Property Rates	R 125 000 000.00	R 10 416 666.67	R 10 350 830.00	R 4 152 067.21	40%
Water	R 66 543 000.00	R 5 545 250.00	R 5 581 293.00	R 1 877 137.47	34%
Sewerage	R 23 032 000.00	R 1 919 333.33	R 1 738 874.00	R 558 996.54	32%
Electricity	R 212 788 999.00	R 17 732 416.58	R 17 053 881.00	R 12 634 528.28	74%
Refuse	R 25 374 000.00	R 2 114 500.00	R 2 086 776.00	R 712 625.24	34%
TOTAL	R 452 737 999.00	R 37 728 166.58	R 36 791 654.00	R 19 935 354.74	54%

- The monthly collection rate for services reflects under collection of 41% of the billed revenue.
- The Municipality's Billed Revenue for July is 97% of the Monthly Budgeted Revenue. This indicates that the budget projections for service charges were realistic because there is no material variances.

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 4 152 067.21	3%
Service charges - electricity revenue	R 212 788 999.00	R 12 634 528.28	6%
Service charges - water revenue	R 66 543 000.00	R 1 877 137.47	3%
Service charges - sanitation revenue	R 23 032 000.00	R 558 996.54	2%
Service charges - refuse revenue	R 25 374 000.00	R 712 625.24	3%
Interest earned - external investments	R 5 000 000.00	R 129 509.71	3%
Interest earned - outstanding debtors	R 20 000 000.00	R 105 570.74	1%
Transfers and subsidies	R 358 941 000.00	R 117 699 000.00	33%
Other revenue	R 63 772 000.00	R 960 112.85	2%
Total Revenue	R 900 450 999.00	R 138 829 548.04	15%

- The year-to-date collection rate for total revenue is 15%, collection. 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 reporting)
- Under Transfers and subsidies, we have received 33% of the total allocation.

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 2 645 763.60	R 1 385 661.37	R 1 340 436.20	R 1 313 725.60	R 100 065 940.85	R 106 751 527.62
BUSINESS	R 6 273 535.83	R 1 782 330.43	R 1 347 526.51	R 684 039.36	R 26 326 819.41	R 36 414 251.54
INDUSTRIAL	R 1 512 280.36	R 538 137.26	R 301 306.83	R 300 668.86	R 15 173 691.37	R 17 826 084.68
MINING	R 1 855.15	R 672.21	R 672.21	R 672.21	R 38 061.30	R 41 933.08
MULTIPLE USE P	R 1 495 721.87	R 961 602.39	R 807 224.18	R 775 343.72	R 36 480 494.13	R 40 520 386.29
PROTECTED AREA	R 2 680.76	R -	R -	R -	R 573 286.17	R 576 976.93
PUBLIC BEN ORG	R 412 003.38	R 81 512.19	R 77 834.67	R 37 189.04	R 1 831 963.10	R 2 440 502.38
PUBLIC SERVINF	R 77 016.41	R 87 472.87	R 86 518.44	R 74 045.97	R 3 598 791.15	R 3 924 644.84
PUBLIC SERVPURP	R 1 136 271.95	R 517 751.33	R 254 126.50	R 201 527.88	R 2 575 586.32	R 4 685 263.98
RESIDENTIAL	R 12 526 313.29	R 8 853 717.30	R 8 245 690.00	R 7 487 892.02	R 333 175 881.08	R 370 289 493.69
RESIDENTIAL OTH	R 1 483 682.04	R 615 978.69	R 584 071.76	R 467 588.35	R 15 412 155.79	R 18 563 476.63
UNDEVELOPED	R 2 302 690.50	R 1 930 639.79	R 1 815 099.88	R 1 766 462.42	R 92 477 750.38	R 100 292 642.97
Grand Total	R 29 869 825.14	R 16 755 475.83	R 14 860 507.18	R 13 109 955.43	R 627 730 421.05	R 702 326 184.63

5

- Debtor's book is sitting at R 702 million as of 31 JULY 2023. Residential households owe the municipality around 55%, Businesses owe 8%, Agriculture owes the municipality around 15%, Government owe the municipality around 2% and other owes the municipality 20%
- The debtors book increased by R20 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	-	41 666.65	41 666.65	0%
Expanded Public Works Programme (EPWP)	1 731 000.00	-	296 591.13	296 591.13	0%
Municipal Infrastructural Grant (MIG)	56 241 000.00	16 045 000.00	284 391.29	15 760 608.71	2%
Water Service Infrastructure Grant (WSIG)	80 000 000.00	15 000 000.00	-	15 000 000.00	0%
Regional Bulk Infrastructure	10 000 000.00	-	-	-	0%
GRANT TOTAL	358 941 000.00	117 699 000.00	87 276 649.07	30 422 350.93	74%

- All other grants did not spend at the end of July. The end user departments responsible for managing grants should ensure that there is an acceleration plan in place.

5.5 OPERATING EXPENDITURE PERFORMANCE:

Expenditure By Type	Original Budget 2023/24	Special Adjustment	YTD 2023/24	Actual Expenditure	%
Employee related costs	R 245 859 006.00	R 245 859 006.00	R 18 252 642.00	R 18 252 642.00	7%
Remuneration of councillors	R 12 500 000.00	R 12 500 000.00	R 975 480.00	R 975 480.00	8%
Bulk purchases - electricity	R 195 855 000.00	R 195 855 000.00	R 19 952 111.00	R 19 952 111.00	10%
Inventory consumed	R 11 449 956.00	R 11 449 956.00	-R 4 547 659.00	-R 4 547 659.00	-40%
Debt impairment	R 103 499 952.00	R 103 499 952.00	R -	R -	0%
Depreciation and amortisation	R 80 000 000.00	R 80 000 000.00	R -	R -	0%
Interest	R 45 000 000.00	R 45 000 000.00	R 8 241 728.00	R 8 241 728.00	18%
Contracted services	R 171 229 748.00	R 171 229 748.00	R 9 867 246.00	R 9 867 246.00	6%
Transfers and subsidies	R 999 996.00	R 999 996.00	R -	R -	0%
Irrecoverable debts written off	R 11 500 000.00	R 11 500 000.00	R 66 966.00	R 66 966.00	0%
Operational costs	R 98 791 995.00	R 98 791 995.00	R 30 335 214.00	R 30 335 214.00	31%
Total Expenditure	R 976 685 653.00	R 976 685 653.00	R 83 143 728.00	R 83 143 728.00	9%

- Total Expenditure is sitting at 9% as at end of July .The negative amount on inventory will be corrected in the next month.

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 MAY 2023	YTD EXPENDITURE	% YTD/BUDGET
WATER PROJECTS	R 20 033 786.00	R -	R -	0%
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 -	R -	0%
VEHICLE	R 4 000 000.00	R -	R -	0%
MACHINERY & EQUIPMENT	R 5 300 000.00	R 258 111.30	R 258 111.30	5%
MINI SUBSTATIONS & TRANSFORMERS	R 3 880 000.00	R -	R -	0%
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 258 111.30	R 258 111.30	5%

- Capital expenditure budget is at 5% 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 in order to spend 100% at year end.

5.7 INVESTMENT PORTFOLIO AND BANK BALANCES AS AT 31 JULY 2023

INVESTMENTS PORTFOLIO for July FY						
Institution	Opening Balance	New Investment	Interest Received/	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: 31 July 2023	R -	R 25 000 000.00	R 151 561.64	R 25 151 561.64	24days @ 9.2200%	R -
NEDBANK INVESTMENT Account No: 03/7881149280/000014 Source of Funds: MIG Original Invested Amount: R15 000 000 Effective date: 07 July 2023 Maturity date: 31 July 2023	R -	R 15 000 000.00	R 90 147.95	R 15 090 147.95	24 days @ 9.1400%	R -
SUB TOTAL		R 40 000 000.00	R 241 709.59	R 40 241 709.59		R -

BANK	Bank statement
Standard Bank Primary Account	R 3 519 560.04
Standard Bank Traffic Account	
Standard Bank Call 1 : POST OFFICE GUARANTEE	R 138 410.29
Standard Bank Call 2 : MIG CALL ACCOUNT	R 75 833.74
Standard Bank Call 3 : MWIG CALL ACCOUNT	R 13 066 107.40
Standard Bank Call 4 : RINGFENCE ELEC CALL ACCOUNT	R 15 018 279.90
Standard Bank Call 7 : INVEST CALL ACCOUNT	R 1 633.02
Standard Bank Call 11 : NEDBANK INVEST CALL ACCOUNT	
TOTAL BANK BALANCE	R 31 819 824.39

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

MFMA SECTION 71 REPORT JULY 2023

8.1. RECOMMENDATIONS BY THE MUNICIPAL MANAGER

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

ANNEXTURE A: SERVICES CHARGES

R thousands	Budget		M01 July	M01 July
	Original Budget	Monthly Revenue Budget	Billing	Collection
Operating Revenue and Expenditure				
Operating Revenue	R 754 209 999.00	R 62 850 833.25	R 116 474 668.00	R 107 784 548.04
Exchange Revenue				
Service charges - Electricity	R 212 788 999.00	R 17 732 416.58	R 17 053 881.00	R 12 634 528.28
Service charges - Water	R 66 543 000.00	R 5 545 250.00	R 5 581 293.00	R 1 877 137.47
Service charges - Waste Water Management	R 23 032 000.00	R 1 919 333.33	R 1 738 874.00	R 558 996.54
Service charges - Waste Management	R 25 374 000.00	R 2 114 500.00	R 2 066 776.00	R 712 625.24
Sale of Goods and Rendering of Services	R 4 240 000.00	R 353 333.33	R 26 419.00	R 26 419.04
Agency services	R -		R -	R -
Interest	R -		R -	R -
Interest earned from Receivables	R 12 010 511.00	R 1 000 875.92	R 2 390 698.78	R 101 609.51
Interest earned from Current and Non Current Assets	R 5 000 000.00	R 416 666.67	R 129 510.00	R 129 509.71
Dividends	R -		R -	
Rent on Land	R -		R -	
Rental from Fixed Assets	R 5 000 000.00	R 416 666.67	R 180 868.00	R 180 868.00
Licence and permits	R -		R -	
Operational Revenue	R 35 760 000.00	R 2 980 000.00	R 554 062.00	R 554 061.76
Non-Exchange Revenue				
Property rates	R 125 000 000.00	R 10 416 666.67	R 10 350 830.00	R 4 152 067.21
Surcharges and Taxes	R -		R -	R -
Fines, penalties and forfeits	R 7 500 000.00	R 625 000.00	R 40 320.00	R 40 319.79
Licences or permits	R 500 000.00	R 41 666.67	R -	R -
Transfer and subsidies - Operational	R 212 710 000.00	R 17 725 833.33	R 75 689 562.00	R 86 654 000.00
Interest	R 7 989 489.00	R 665 790.75	R 1 527 962.22	R 24 558.49
Fuel Levy	R -		R -	
Operational Revenue	R 9 762 000.00	R 813 500.00	R 251 736.00	R 137 847.00
Gains on disposal of Assets	R 1 000 000.00	R 83 333.33	R -	
Other Gains	R -		R -	
Discontinued Operations	R -		R -	
Capital Revenue	R 146 241 000.00	R 12 186 750.00	R 284 391.00	R 31 045 000.00
Transfers and subsidies - capital (monetary allocations)	R 146 241 000.00	R 12 186 750.00	R 284 391.00	R 31 045 000.00
	R 900 450 999.00	R 75 037 583.25	R 116 759 059.00	R 138 829 548.04