

Lydenburg Head Office:

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**THABA CHWEU  
LOCAL MUNICIPALITY**

24 Hors Emergency no:

Tel: 013 235 1788

013 235 7370

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PO Box 61

Lydenburg 1120

Cnr. Viljoen & Sentraal Streets

All Correspondence to be directed  
To the Municipal Manager

www.tclm.gov.za

## MEMORANDUM

**TO : MR. MP MANKGA (THE ACTING MUNICIPAL MANAGER)**  
**FROM : MR. KP MASHEGO (THE DEPUTY CHIEF FINANCIAL OFFICER)**  
**DATE : 13 JANUARY 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 DECEMBER 2022.

I trust you will find the above in order.

Kind Regards

  
Mr. KP MASHEGO  
THE DEPUTY CHIEF FINANCIAL OFFICER

Date: 13 / 01 / 2023

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**OFFICE OF THE MUNICIPAL MANAGER**

Enquiries: Mr KP Mashego

DATE: 13 JANUARY 2023

The Executive Mayor: CLLR MF Nkadimeng

Thaba Chweu Municipality

P O Box 61

Lydenburg

1120

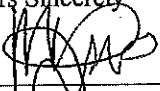
Dear Madam


**SUBJECT: ACKNOWLEDGEMENT OF RECEIPT: SECTION 71 REPORT FOR JANUARY 2022**

We hereby submit the Section 71 report for the month of November 2022 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 / 01 / 2023

# THABA CHWEU LOCAL MUNICIPALITY



## SECTION 71 REPORT FOR THE MONTH OF DECEMBER 2022-2023 FY

## **FINANCE REPORT ON SECTION 71 OF THE MFMA**

### **MONTHLY BUDGET STATEMENT FOR DECEMBER 2022**

#### **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 DECEMBER 2022 is hereby summarised and presented as follows:

## 5.1 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 10,200,353.00	R 5,607,280.77	55%
Water	R 59,721,324.00	R 59,721,324.00	R 7,364,318.10	R 2,971,195.34	40%
Sewerage	R 21,978,044.00	R 21,978,044.00	R 2,478,343.39	R 759,108.41	31%
Electricity	R 235,879,021.00	R 235,879,021.00	R 15,605,013.30	R13,667,126.93	88%
Refuse	R 25,791,150.00	R 25,791,150.00	R 2,794,409.99	R 981,842.85	35%
<b>TOTAL</b>	<b>R 459,482,402.00</b>	<b>R 459,482,402.00</b>	<b>R 38,442,437.78</b>	<b>R 23,986,554.30</b>	<b>62%</b>

- 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.

## 5.2 YTD BUDGET COLLECTION RATE (YEAR TO DATE):

Own Revenue Category	Annual Budget	Special Adjustment MFMA s28(2)g	Expected Collection at Mid-year	YTD Collection	YTD Rate
Rates and Service Charges	R 459 482 402.00	R 459 482 402.00	R 229 741 201.00	R 142 885 484.20	62%
Other Revenue	R 35 821 154.00	R 35 821 154.00	R 17 910 577.00	R 8 997 942.09	50%
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 1 433 217.29	12%
Interest earned on external investment	R 491 694.00	R 491 694.00	R 245 847.00	R 536 794.17	218%
<b>TOTAL</b>	<b>R 828 784 002.00</b>	<b>R 828 784 002.00</b>	<b>R 473 077 501.00</b>	<b>R 338 922 437.75</b>	<b>72%</b>

- The year-to-date collection rate for total revenue is 72% 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.
- Under Transfers and subsidies, we should have received 100% of the Expected collection but we received 87% because WSIG and INEP were underperforming due to late appointment of service provider.

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

ACCOUNT TYPE	Sum of 202301 (Current)	Sum of 202212 (30 Days)	Sum of 202211 (60 Days)	Sum of 202210 (90 Days)	Sum of 202209 (120 Days)	Sum of 202208 (150 Days)	Sum of 202207 (180 Days)	Sum of 202206- 202202 (210 Days to 1 Year)	Sum of 202201+ (Over 1 Year)	Sum of Total
AGRICULTURAL	R 1,825.93	R 1,354,934.84	R 1,294,685.54	R 1,225,668.98	R 1,231,489.02	R 1,160,104.33	R 1,141,137.60	R 5,137,898.54	R 85,916,398.49	R 98,464,143.27
BUSINESS	R 38,670.91	R 5,421,729.40	R 1,181,892.33	R 1,008,886.91	R 1,078,559.13	R 780,564.62	R 852,815.03	R 3,559,255.00	R 20,376,157.03	R 34,298,530.36
INDUSTRIAL	R -	R 1,035,398.59	R 423,721.67	R 390,772.27	R 399,900.59	R 375,807.19	R 403,406.55	R 1,970,648.66	R 12,818,568.60	R 17,818,224.12
MINING	R -	R 672.21	R 672.21	R 672.21	R 672.21	R 672.21	R 883.20	R 4,214.40	R 27,586.02	R 36,044.67
MULTIPLE USE P	R -	R 969,638.77	R 749,485.30	R 722,742.01	R 712,986.55	R 700,498.44	R 685,885.77	R 2,585,825.16	R 31,232,866.39	R 38,359,928.39
PROTECTED AREA	R -	R 2,534.45	R 2,534.45	R 2,534.45	R 2,357.63	R 2,357.63	R 2,357.63	R 10,314.66	R 540,043.54	R 565,034.44
PUBLIC BEN ORG	R -	R 220,241.02	R 77,358.65	R 76,515.87	R 50,115.12	R 47,966.05	R 56,863.55	R 183,959.15	R 1,495,497.98	R 2,208,517.39
PUBLIC SERVINFRA	R -	R 48,724.07	R 42,359.84	R 45,740.35	R 41,312.95	R 41,421.80	R 40,963.50	R 178,135.00	R 2,196,595.50	R 2,635,253.01
PUBLIC SERV PURP	R 18,032.92	R 765,112.61	R 456,345.07	R 324,567.78	R 293,252.52	R 205,364.33	R 135,986.81	R 243,584.03	R 1,641,824.84	R 4,084,070.91
RESIDENTIAL	R 38,954.57	R 10,840,659.34	R 8,072,652.00	R 7,748,507.29	R 7,205,316.02	R 7,074,970.92	R 6,986,556.46	R 30,580,181.73	R 258,540,723.21	R 337,088,521.54
RESIDENTIAL OTH	R -	R 1,280,567.34	R 632,577.28	R 586,370.55	R 555,189.25	R 536,949.82	R 555,293.78	R 1,989,362.99	R 10,817,128.27	R 16,953,439.28
UNDEVELOPED	R 6,860.54	R 2,190,418.30	R 1,984,397.24	R 1,937,807.68	R 1,980,524.60	R 1,735,044.64	R 1,617,010.91	R 8,131,101.72	R 76,416,321.77	R 95,999,487.40
<b>Grand Total</b>	<b>R 104,344.87</b>	<b>R 24,130,630.94</b>	<b>R 14,918,681.58</b>	<b>R 14,070,786.35</b>	<b>R 13,551,675.59</b>	<b>R 12,661,721.98</b>	<b>R 12,479,160.79</b>	<b>R 54,574,481.04</b>	<b>R 502,019,711.64</b>	<b>R 648,511,194.78</b>

- Debtor's book is sitting at R648 million as of 31st December 2022. 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%.
- Debtor's book has increased with R 58 million from 1st quarter.

### 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 135,216,000	R 135,216,000	R -	100%
Finance Management Grant (FMG)	R 3,000,000	R 3,000,000	R 589,799	R 2,410,201	20%
Expanded Public Works Programme (EPW)	R 1,932,000	R 1,353,000	R 1,842,514	R 489,514	136%
Municipal Infrastructural Grant (MIG)	R 53,907,000	R 33,000,000	R 13,788,776	R 19,211,224	42%
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 Grant	R 20,000,000	R 8,500,000	R 1,020,370	R 7,479,630	12%
<b>GRANT TOTAL</b>	<b>R 308,773,000</b>	<b>R 186,069,000</b>	<b>R 154,659,299</b>	<b>R 30,409,701</b>	<b>84%</b>

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

### 5.5 OPERATING EXPENDITURE PERFORMANCE:

TYPE	ORIGINAL BUDGET	SPECIAL ADJUSTMENT MFMA s28(2)g	ACTUAL DECEMBER 2022	YTD EXPENDITURE	%
Employee Costs	R 254,915,983.00	R 254,915,983.00	R 19,157,502.18	R 112,035,684.00	44%
Councillors Remuneration	R 14,122,691.00	R 14,122,691.00	R 998,000.29	R 6,147,540.00	44%
Bulk Purchases	R 165,000,000.00	R 165,000,000.00	R 8,794,137.00	R 88,438,818.00	54%
General Expenses	R 370,642,525.00	R 370,642,525.00	R 30,685,032.44	R 179,931,640.71	49%
Repairs & Maintenance	R 80,370,000.00	R 80,370,000.00	R 11,858,443.98	R 38,752,590.49	48%
<b>TOTAL</b>	<b>R 885,051,199.00</b>	<b>R 885,051,199.00</b>	<b>R 71,493,115.89</b>	<b>R 425,304,273.20</b>	<b>48%</b>

- The overall expenditure is at 48% 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/INITIATIVES	ORIGINAL BUDGET	BUDGET ACQUISITION/REPLACEMENT	ACTUAL EXPENDITURE	UNEXPENDITURE	% UNEXPENDITURE
WATER PROJECTS	R 31,119,857.00	R 7,362,410.92	R 665,874.63	R 3,572,086.86	49%
ELECTRICITY	R 20,000,000.00	R 20,000,000.00	R 564,816.84	R 1,020,369.80	5%
SANITATION PROJECTS	R 61,313,114.00	R 62,335,613.47	R 1,957,780.93	R 4,942,242.67	8%
ROADS	R 778,729.00	R 23,513,875.18	R -	R 5,728,434.41	24%
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 28,500.00	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 3,216,971.40	R 18,538,911.69	15%

- 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	
Standard Bank Primary Account	3,963,190.29
Standard Bank Traffic Account	28.23
Standard Bank Call 1 : POST OFFICE GUARANTEE	132,734.55
Standard Bank Call 2 : MIG CALL ACCOUNT	5,908,103.85
Standard Bank Call 3 : MWIG CALL ACCOUNT	13,441.58
Standard Bank Call 4 : RINGFENCE ELEC CALL ACCOUNT	4,366,578.71
Standard Bank Call 7 : INVESTMENT ACCOUNT	1,633.02
TOTAL BANK BALANCE	R 14,385,710.23

### 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 DECEMBER 2022 be approved.