

## ITEM

### **FINANCE: IN YEAR MONITORING AND REPORTING: 1<sup>st</sup> QUARTER: 2023/2024 FINANCIAL YEAR (6/1/1(2023/24)**

**Report Acting Chief Financial Officer**

#### **STRATEGIC OBJECTIVE**

The strategic objective of this matter is under sound financial management and viability.

#### **PURPOSE**

The purpose of this item is to submit in year monitoring financial report for the month ending 30 September 2023 to Council for consideration.

#### **BACKGROUND**

In terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) section 52 (d) the Mayor of the municipality must within 30 days of the end each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.

#### **DISCUSSION**

##### **1. ANALYSIS FROM REPORTS FROM INCOME AND EXPENDITURE QUARTER ONE ENDING 30 SEPTEMBER 2023**

##### **SUMMARY: INCOME AND EXPENDITURE REPORT PERFORMANCE**

The actual operational income for first quarter is R 399,528 million and actual to date is R 399,528 million. The operational expenditure for the same period is R 315,518 million and actual to date is R 315,518 million.

##### **Summary overall budgeted and actual expenditure**

<b>Types of Budget</b>	<b>Approved Budget</b>	<b>Budget Spent</b>	<b>Balance</b>	<b>% Spent</b>
Operational	R 1 368 billion	R 316 million	R 1.052 million	23%
Capital	R 503 million	R 92 million	R 411 million	18%
<b>Total</b>	<b>R 1.871 billion</b>	<b>R 408 million</b>	<b>R 1.463 Billion</b>	<b>22%</b>

## 2. SUMMARY OF PERFORMANCE OF INCOME AND EXPENDITURE 30 SEPTEMBER 2023

Description	Budget Year 2023/24								
	Original Budget	Q1 Projections	Q1 Sept 2023	YTD todate	YTD Variance	YTD variance	YTD Actual Budget/Budget %	Actual vs Projected%	Full Year Forecast
<b>R thousands</b>									
<b>Revenue By Source</b>									
Property rates	122,247,000.00	30,561,750.00	29,719,569.27	29,719,569.27	-842,180.73	-3%	24%	97%	122,247,000.00
Service charges - electricity revenue	608,564,000.00	152,141,000.00	108,394,212.25	108,394,212.25	-43,746,787.75	-40%	18%	71%	608,564,000.00
Service charges - refuse revenue	15,064,000.00	3,766,000.00	3,590,728.05	3,590,728.05	-175,271.95	-5%	24%	95%	15,064,000.00
Rental of facilities and equipment	332,000.00	83,000.00	76,899.00	76,899.00	-6,101.00	-8%	23%	93%	332,000.00
Interest earned - external investments	9,536,000.00	2,384,000.00	2,805,156.37	2,805,156.37	421,156.37	15%	29%	118%	9,536,000.00
Interest earned - outstanding debtors	45,402,000.00	11,350,500.00	10,323,742.10	10,323,742.10	-1,026,757.90	-10%	23%	91%	45,402,000.00
Fines, penalties and forfeits	5,056,000.00	1,264,000.00	280,655.20	280,655.20	-983,344.80	-350%	6%	22%	5,056,000.00
Licences and permits	4,115,000.00	1,028,750.00	922,871.45	922,871.45	-105,878.55	-11%	22%	90%	4,115,000.00
Transfers and subsidies	493,825,000.00	123,456,250.00	239,237,793.08	239,237,793.08	115,781,543.08	48%	48%	194%	493,825,000.00
Operational Revenue	91,736,000.00	22,934,000.00	4,176,329.46	4,176,329.46	-18,757,670.54	-449%	5%	18%	91,736,000.00
<b>Total Revenue</b>	<b>1,395,877,000.00</b>	<b>348,969,250.00</b>	<b>399,527,956.23</b>	<b>399,527,956.23</b>	<b>50,558,706.23</b>	<b>14%</b>	<b>29%</b>	<b>114%</b>	<b>1,395,877,000.00</b>

Description	Budget Year 2023/24								
	Original Budget	Q1 Projections	Q1 Sept 2023	YTD todate	YTD Variance	YTD variance	YTD Actual Budget/Budget %	Actual vs Projected%	Full Year Forecast
<b><u>Expenditure By Source</u></b>									
Employee related costs	349,488,000.00	87,372,000.00	81,436,673.81	81,436,673.81	-5,935,326.19	-7%	23%	93%	349,488,000.00
Remuneration of councillors	31,000,400.00	7,750,100.00	8,462,621.69	8,462,621.69	712,521.69	9%	27%	109%	31,000,400.00
Debt impairment	83,677,000.00	20,919,250.00	18,981,326.16	18,981,326.16	-1,937,923.84	-9%	23%	91%	83,677,000.00
Depreciation & asset impairment	147,420,000.00	36,855,000.00	33,900,779.93	33,900,779.93	-2,954,220.07	-8%	23%	92%	147,420,000.00
Finance charges	12,762,000.00	3,190,500.00	3,780,602.75	3,780,602.75	590,102.75	18%	30%	118%	12,762,000.00
Bulk purchases	397,742,000.00	99,435,500.00	97,916,157.80	97,916,157.80	-1,519,342.20	-2%	25%	98%	397,742,000.00
Other materials	36,688,000.00	9,172,000.00	9,603,177.70	9,603,177.70	431,177.70	5%	26%	105%	36,688,000.00
Contracted services	236,753,000.00	59,188,250.00	47,273,373.85	47,273,373.85	-11,914,876.15	-20%	20%	80%	236,753,000.00
Operational costs	72,915,600.00	18,228,900.00	14,163,027.30	14,163,027.30	-4,065,872.70	-22%	19%	78%	72,915,600.00
<b>Total Expenditure</b>	<b>1,368,446,000.00</b>	<b>342,111,500.00</b>	<b>315,517,740.99</b>	<b>315,517,740.99</b>	<b>-26,593,759.01</b>	<b>-8%</b>	<b>23%</b>	<b>92%</b>	<b>1,368,446,000.00</b>

### 3. APPROVED CONDITIONAL GRANT AS AT 30 SEPTEMBER 2023

Details of Grants allocated ,Grants Performance as at 30 SEPTEMBER 2023								
	Budget Year 2023/24							
Description	APPROVED BUDGET	Grants Received YTD R '000	Actual Received Q1 R '000	Actual Q1 Expenditure R'000	Actual to date Expenditure R'000	% Spent on received	BUDGET VS ACTUAL %	Full Year Forecast
APPROVED CONDITIONAL GRANT								
<b>Funded by:</b>								
MIG	115,757	84,878	84,878	34,201	34,201	40%	30%	115,757
INEP	7,000	2,500	2,500	260	260	10%	4%	7,000
FMG	1,950	1,950	1,950	527	527	27%	27%	1,950
EPWP	2,932	733	733	733	733	100%	25%	2,932
Disaster Grants	3,500	3,500	3,500	2,644	2,644	76%	76%	3,500
<b>Total Grants</b>	<b>131,139</b>	<b>93,561</b>	<b>93,561</b>	<b>38,365</b>	<b>38,365</b>	<b>41%</b>	<b>29%</b>	<b>131,139</b>

4. **CAPITAL EXPENDITURE.**

The Actual Capital expenditure for the first quarter Sept 2023 is R 92 779 million and to date is R92 779 million which result to 18% spending against the approved budget of R 503 877 million.

<b>CODE</b>	<b>DEPARTMENT</b>	<b>BUDGET</b>	<b>EXPENDITURE</b>	<b>VARIANCE</b>	<b>PERCEN-TAGE</b>
SC	Technical Services	R 468 535 119.19	R 86 978 767.36	R 381 556 351.83	<b>19%</b>
SC	Community Services	R 9 430 000.00	R 3 242 887.00	R 6 187 113.00	<b>34%</b>
SC	Budget and Treasury	R 9 200 000.00	R 0	R 9 200 000.00	<b>0%</b>
SC	Corporate Services	R 11 862 305.00	R 2 557 581.27	R 9 304 723.73	<b>22%</b>
SC	Regional Offices	R 4 850 000.00	R 0	R 4 850 000.00	<b>0%</b>
	<b>TOTAL</b>	<b>R 503 877 424.19</b>	<b>R 92 779 235.63</b>	<b>R 411 098 188.56</b>	<b>18%</b>

## 5. DEBTORS AGE ANALYSIS

The amount outstanding from debtors as at 30 September 2023 is R 466 462 212.79

### Quarte 4 Debt Breakdown Analysis - 30 September 2023

Account Type	Total Amount	Towns							
		Farm	Ha-Tshikota (Vleifontein)	Louis Trichardt	Makhado A (Dzanani)	Tshikota	Villages	Vuwani	Waterval
Agriculture	106 377 457.56	103 886 529.79	-	6 165.27	34.65	783.39	2 483 944.46	-	-
Businesses/ Industrial	73 562 185.52	30 038 126.94	1 127 626.74	32 405 262.12	5 572 697.37	616 310.83	1 501 651.03	-	2 300 510.49
Churches	686 914.84	111 151.92	82 398.17	192 759.72	34 435.96	27 465.05	123 657.59	-	115 046.43
Government (SOP)	57 472 674.12	45 013 044.28	1 725 691.92	746 535.12	1 725 691.92	376 469.60	7 076 527.13	-	808 714.15
Municipal	1 258 597.23	566 559.79	65 748.54	452 312.05	3 815.28	9 371.06	14 904.00	-	145 886.51
Public Benefit Organisation (PBO)	16 817.15	14 116.99	-	(1 645.79)	4 345.95	-	-	-	-
Public Service Infrastructure (PSI)	3 339 111.95	3 109 427.62	-	229 591.53	-	-	-	-	92.80
Residential	223 748 454.42	1 775 560.75	39 980 764.84	40 279 598.81	17 906 714.80	10 327 870.80	37 192 005.43	(3 150.00)	76 289 088.99
<b>GRAND -</b>	<b>466 462 212.79</b>	<b>184 514 518.08</b>	<b>42 982 230.21</b>	<b>74 310 578.83</b>	<b>25 247 735.93</b>	<b>11 358 270.73</b>	<b>48 392 689.64</b>	<b>(3 150.00)</b>	<b>79 659 339.37</b>



**Debt Impairment  
Debtors Age Analysis By Customer Group**

<b>Customer Group</b>	<b>Total Debt per Customer Group</b>	<b>Impairment Provided</b>	<b>Net Debt per Customer Group</b>
Organs of State	62 070	(52 168)	9 902
Commercial	73 563	(61 828)	11 735
Households	223 747	(188 054)	35 693
Other	107 081	(89 999)	17 082
<b>Totals</b>	<b>466 462</b>	<b>(392 049)</b>	<b>74 412</b>

**Summary of Debt Impairment Narration**

Allowance for debt impairment for the Month of September 2023 equals R392.049 million.

The Total Consumer Debtors as at the 30<sup>st</sup> of September 2023 equals R466.462 million.

The Net Debt Collectible equals R74.412 million.

**COLLECTION REPORT – SEPTEMBER 2023**

The collection rate for the month of September 2023 stands at **82%**.

The overall collection rate for the first quarter equals **80%**.

The non-existent of electricity in R293 Towns such as Dzanani, Waterval, Vleifontein, excluding Tshikota still exists as a challenge towards collection.

**THE ELECTRICITY DISTRIBUTION LOSSES REPORT – SEPTEMBER 2023**

- The electricity distribution loss for the month of September 2023 stands at **3%**.
- The overall distribution loss for the first quarter equals **9%**.

See details of both the collection rate and the distribution loss percentage below:

**SECTION 71 SUMMARY FOR THE QUARTER ENDING 30 SEPTEMBER 2023**

- The average collection rate for the 1<sup>st</sup> quarter of 2023/ 2024 Financial Year stands at **80%**.

<b>Month</b>	<b>Percentage</b>
July – 2023	59%
August – 2023	96%
September - 2023	84%
Total	239%
Average Collection Rate for the quarter ending September 2023	80%

- The average Distribution Loss for the Final quarter of 2023/ 2024 Financial Year stands at **9%**.

<b>Month</b>	<b>Percentage</b>
July – 2023	6%
August – 2023	19%
September - 2023	03%
Total	28%
Average Collection Rate for the quarter ending 30 Sept 2023	9%

### **CHALLENGES THAT IMPACT ON COLLECTION**

- The non-existent of electricity in R293 Towns such as Dzanani, Waterval, Vleifontein, excluding Tshikota.
- Illegal connections
- Government entities who are not paying the Municipality

### **STRATEGIES TO IMPROVE COLLECTION**

- The meters are physically checked to the those customers that are not buying or buying electricity that is unreasonably too low because they raise a suspicion of illegal connection by Technical and finance.
- Credit Control will be applied to Government and business to be implemented without compromise.
- Municipality has Handed over debts that is older and which cannot be collected using internal credit control measures to appointed debt collectors who are currently working on the data provided and are monitored on the monthly basis.
- The municipality is currently monitoring the payment arrangement with VDM with on 96 million outstanding for water debt which currently is sitting at R 9 million
- Installation of prepaid meter

## SCM PROCESS

### 6. COMPETITIVE BIDDING PROCESSES ACTIVITY

ACTIVITY	Bids Advertised	Evaluated	Adjudicated	Awarded	BBB-EE	Cancelled
<b>Balance B/F</b>	17	-	-	-	-	-
<b>1<sup>st</sup> Quarter</b>	08	16	16	16		
<b>TOTAL</b>	25	16	16	16		
<b>ANNEXURE</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>

All requests for adverts were processed. As at 30 September 2023, the following 09 bids were not awarded:

NO	BID NO	DESCRIPTION	CLOSING DATE	COMMENTS
01	32 of 2023	Appointment Of a Service Provider to Extend Existing Civic Centre Wireless Connectivity from Chambers To Offices For the Period Of Three (03) Years	11-Apr-23	In Evaluation
02	44 OF 2023	Supply and delivery, SS60 and CAT 65 Bituminous Emulsion for the period of three (03) years	26-May-23	In Evaluation
03	45 OF 2023	Supply and delivery of Hot mix asphalt for period of three (03) years	26-May-23	In Evaluation
04	69 of 2023	Supply, Deliver, Installation and Commissioning of 50KVA 3Ph Generator at Dzanani Regional Office	11 August 2023	In Evaluation
05	71 of 2023	Re-advertisement: Supply, Delivery, Refill and Service of Council Fire Extinguishers Cabinets for the period three (03) Years	21 August 2023	In Evaluation
06	72 of 2023	Re-advertisement: Provision of single automated performance management system for the period of three (03) Years	21 August 2023	In Evaluation
07	73 of	Design, Printing, Supply and	20 September 2023	In Evaluation

	2023	Delivery of Diaries, Posters and Calendars		
08	74 of 2023	Re-Advertisement: Appointment of Panel of Service Providers to Provide Media Buying Services (Radio Advertisement) For Period of Three (03) Years	02 October 2023	On advert
09	75 of 2023	Supply and Delivery of Spares for Repairs and Maintenance for Makhado Local Municipality fleet for the period of three (03) years	02 October 2023	On Advert

#### FORMAL WRITTEN QUOTATION AS AT 30 SEPTEMBER 2023

ACTIVITY	Quotations Advertised	Quotations Evaluated	Quotations Awarded
<sup>1st</sup> QUARTER	19	17	17

#### PROCUREMENT DEVIATION ANNUAL REPORT

- The number of awards made in terms of SCM regulation 36  
= **13**
- Reason(s) for deviation in terms of SCM Regulations 36  
**Reason: Sole service providers and impractical to follow normal SCM process**
- Total value of deviations under R200 000.00  
= **R302 617.49**
- Total value of deviations over R200 000  
= **R0**
- Total number of deviations under R 200 000 is 13
- Total number of deviation over R 200 000 is 0
- Total value of deviations awarded through SCM Regulation 36  
= **R302 617.49**

## **STATUS OF RECONCILIATIONS AS AT 30 SEPTEMBER 2023**

Bank reconciliations is up to date  
Grant Reconciliation is up to date  
Investment Reconciliations is up to date  
Assets Reconciliation is up to date  
Petty Cash reconciliation is up to date  
Retention reconciliation is up to date  
Inventory Reconciliation is up to date  
Debtors Reconciliations is up to date  
Salary Reconciliation is up to date  
Vat Reconciliation is done up to Month of August 2023

### **7. A CASH FLOW POSITION**

This statement indicates the financial position as at 30 September 2023 is R 100,688,202.42. The municipalities continue to keep a favorable balance on the monthly basis and these cash flow statements reflect positive balance of R 100,688,202.42 at the end first quarter 30 September 2023.

Primary Account	R 100,688,202.42
-----------------	------------------

**Closing balance as at 30 September 2023    R 100,688,202.42**

---

### **IMPLICATIONS**

Compliance section 52 (d) of the Municipal Finance Management Act, 2003 (quarterly reporting).

### **LEGAL IMPLICATIONS**

None

### **RISK IMPLICATIONS**

None

### **ENVIRONMENTAL IMPLICATIONS**

None

### **CHANGE MANAGEMENT IMPLICATIONS**

Ensure compliance to MFMA and timely submission of section 52 (d) report in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### **MANAGEMENT RESOLVED TO RECOMMEND TO EXECUTIVE COMMITTEE**

THAT the in-year monitoring financial report for the first quarter ending 30 September 2023 for the 2023/2024 financial year be considered by Council.