

## ITEM

### **FINANCE: IN YEAR MONITORING AND REPORTING: Third 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 31 March 2024 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 THREE ENDING 31 MARCH 2024**

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

The actual operational income for third quarter is R 334 543 million and actual to date is R 1 056 Billion. The operational expenditure for the same period is R 308 595 million and actual to date is R 950 096 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 1.409 billion	R 950 million	R 459 million	67%
Capital	R 484 million	R 296 million	R 188 million	61%
<b>Total</b>	<b>R 1.893 billion</b>	<b>R 1 246 billion</b>	<b>R 647 billion</b>	<b>66%</b>

## 2. SUMMARY OF PERFORMANCE OF INCOME AND EXPENDITURE 31 MARCH 2024

Description	Budget Year 2023/24											
	R thousands	ADJUSTED Original Budget	Mid-year Projections	Q1 Sept 2023	Q2 Dec 2023	Q3 March 2024	YTD todate	YTD Variance	YTD variance	YTD Actual Budget/Budget %	Actual vs Projected%	Full Year Forecast
<b>Revenue By Source</b>												
Property rates	125,077,000.00	93,807,750.00	29,719,569.27	32,819,569.27	33,235,670.09	95,774,808.63	1,967,058.63	2%	77%	102%	125,077,000.00	
Service charges - electricity revenue	615,728,000.00	461,796,000.00	108,394,212.25	119,067,090.98	123,821,462.92	294,890,908.00	-166,905,092.00	-57%	48%	64%	615,728,000.00	
Service charges - refuse revenue	16,264,000.00	12,198,000.00	3,590,728.05	3,622,656.01	4,211,543.94	11,424,928.00	-773,072.00	-7%	70%	94%	16,264,000.00	
Rental of facilities and equipment	332,000.00	249,000.00	76,899.00	84,052.09	70,335.30	231,286.39	-17,713.61	-8%	70%	93%	332,000.00	
Interest earned - external investments	8,146,000.00	6,109,500.00	2,805,156.37	1,268,699.93	839,706.70	4,913,563.00	-1,195,937.00	-24%	60%	80%	8,146,000.00	
Interest earned - outstanding debtors	45,402,000.00	34,051,500.00	10,323,742.10	13,966,483.73	16,890,454.27	30,856,938.00	-3,194,562.00	-10%	68%	91%	45,402,000.00	
Fines, penalties and forfeits	4,562,000.00	3,421,500.00	280,655.20	1,999,485.50	1,970,170.80	4,250,311.50	828,811.50	20%	93%	124%	4,562,000.00	
Licences and permits	3,603,000.00	2,702,250.00	922,871.45	879,295.20	1,160,313.28	2,962,479.93	260,229.93	9%	82%	110%	3,603,000.00	
Transfers and subsidies	515,161,000.00	386,370,750.00	239,237,793.08	210,357,633.53	146,074,528.43	595,669,955.04	209,299,205.04	35%	116%	154%	515,161,000.00	
Operational Revenue	90,818,000.00	68,113,500.00	4,176,329.46	5,463,916.70	6,268,358.84	15,908,605.00	-52,204,895.00	-328%	18%	23%	90,818,000.00	
<b>Total Revenue</b>	<b>1,425,093,000.00</b>	<b>1,068,819,750.00</b>	<b>399,527,956.23</b>	<b>389,528,882.94</b>	<b>334,542,544.57</b>	<b>1,056,883,783.49</b>	<b>-11,935,966.51</b>	<b>-1%</b>	<b>74%</b>	<b>99%</b>	<b>1,425,093,000.00</b>	

Description	Budget Year 2023/24										
	Adjusted Budget	Third quarter Projections	Q1 Sept 2023	Q2 Dec 2023	Q3 March 2024	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	359,488,000.00	269,616,000.00	81,436,673.81	95,679,897.63	98,765,000.45	275,881,571.89	6,265,571.89	2%	77%	102%	359,488,000.00
Remuneration of councillors	32,000,000.00	24,000,000.00	8,462,621.69	7,232,123.00	7,146,252.53	22,840,997.22	-1,159,002.78	-5%	71%	95%	32,000,000.00
Debt impairment	73,677,000.00	55,257,750.00	18,981,326.16	14,438,315.96	14,084,183.55	47,503,825.67	-7,753,924.33	-14%	64%	86%	73,677,000.00
Depreciation & asset impairment	152,420,000.00	114,315,000.00	33,900,779.93	39,934,698.90	39,782,196.94	113,617,675.77	-697,324.23	-1%	75%	99%	152,420,000.00
Finance charges	19,762,000.00	14,821,500.00	3,780,602.75	1,610,837.21	1,078,206.15	6,469,646.11	-8,351,853.89	-56%	33%	44%	19,762,000.00
Bulk purchases	368,092,000.00	276,069,000.00	97,916,157.80	89,504,868.45	86,237,660.01	277,180,732.26	1,111,732.26	0%	75%	100%	368,092,000.00
Other materials	41,688,000.00	31,266,000.00	9,603,177.70	13,736,601.04	10,132,138.96	33,471,917.70	2,205,917.70	7%	80%	107%	41,688,000.00
Contracted services	286,925,000.00	215,193,750.00	47,273,373.85	48,273,487.79	36,767,220.90	132,314,082.54	-82,879,667.46	-39%	46%	61%	286,925,000.00
Operational costs	75,769,000.00	56,826,750.00	14,163,027.30	11,049,763.34	14,602,433.42	40,815,224.06	-16,011,525.94	-28%	54%	72%	75,769,000.00
<b>Total Expenditure</b>	<b>1,409,821,000.00</b>	<b>1,057,365,750.00</b>	<b>315,517,740.99</b>	<b>321,460,593.32</b>	<b>308,595,292.91</b>	<b>950,095,673.22</b>	<b>-107,270,076.78</b>	<b>-10%</b>	<b>67%</b>	<b>90%</b>	<b>1,409,821,000.00</b>

### 3. APPROVED CONDITIONAL GRANT AS AT 31 MARCH 2024

Details of Grants allocated ,Grants Performance as at 31 MARCH 2024												
Description	Budget Year 2023/24											
	APPROVED ADJUSTED BUDGET	Grants Received YTD R '000	Actual Received Q1 R '000	Actual Received Q2 R '000	Actual Received Q3 R '000	Actual Q1 Expenditure R'000	Actual Q2 Expenditure R'000	Actual Q3 Expenditure R'000	Actual to date Expenditure R'000	% Spent on received	BUDGET VS ACTUAL %	Full Year Forecast
APPROVED CONDITIONAL GRANT												
Funded by:												
MIG	108,015	108,015	84,878	10,580	12,557	34,201	43,588	21,585	99,374	92%	92%	108,015
INEP	7,000	7,000	2,500	3,000	1,500	260	4,014	1,396	5,670	81%	81%	7,000
FMG	1,950	1,950	1,950	–		527	762	225	1,514	78%	78%	1,950
EPWP	2,768	2,768	733	1,319	716	733	733	610	2,076	75%	75%	2,768
Disaster Grants	21,500	21,500	3,500	–	18,000	2,644	856		3,500	16%	16%	21,500
<b>Total Grants</b>	<b>141,233</b>	<b>141,233</b>	<b>93,561</b>	<b>14,899</b>	<b>32,773</b>	<b>38,365</b>	<b>49,953</b>	<b>23,816</b>	<b>112,134</b>	<b>79%</b>	<b>79%</b>	<b>141,233</b>

4. **CAPITAL EXPENDITURE.**

The Actual Capital expenditure for the third quarter March 2024 is R 83 275 million and to date is R 295 686 million which represents 61% spending against the approved adjusted budget of R484 502 million.

<b>CODE</b>	<b>DEPARTMENT</b>	<b>ADJUSTED BUDGET</b>	<b>EXPENDITURE</b>	<b>VARIANCE</b>	<b>PERCENTAGE</b>
SC	Technical Services	R 439 690 582.60	R 271 478 184.65	R 168 212 397.95	<b>62%</b>
SC	Community Services	R 15 967 056.05	R 11 319 474.17	R 4 647 581.88	<b>71%</b>
SC	Budget and Treasury	R 12 793 725.05	R 7 169 111.96	R 5 ,624 ,613.04	<b>56%</b>
SC	Corporate Services	R 12 400 864.27	R 5 352 161.27	R 7 048 703.00	<b>43%</b>
SC	Regional Offices	R 3 650 000.00	R 366 928.20	R 3 283 071.80	<b>10%</b>
	<b>TOTAL</b>	<b>R 484 502 227.89</b>	<b>R 295 685 860.25</b>	<b>R 188 816 367.64</b>	<b>61%</b>

## 5. DEBTORS AGE ANALYSIS

The amount outstanding from debtors as at 31 March 2024 is R **505 797 808.15**

Description	NT Code	Budget Year 2023/24							
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	180 Days and Over	Total	Total over 90 days
<b>R thousands</b>									
<b>Debtors Age Analysis By Income Source</b>									
Trade and Other Receivables from Exchange Transactions - Water	1200	–	–	–	–	–	–	–	–
Trade and Other Receivables from Exchange Transactions - Electricity	1300	20 515	2 300	2 063	2 624	1 144	55 016	83 661	58 784
Receivables from Non-exchange Transactions - Property Rates	1400	12 213	3 864	3 700	3 597	3 539	162 655	189 567	169 791
Receivables from Exchange Transactions - Waste Water Management	1500	–	–	–	–	–	–	–	–
Receivables from Exchange Transactions - Waste Management	1600	1 553	509	489	476	466	29 025	32 518	29 967
Receivables from Exchange Transactions - Property Rental Debtors	1700	–	–	–	–	–	–	–	–
Interest on Arrear Debtor Accounts	1810	7 064	3 446	3 362	3 298	3 242	141 295	161 706	147 835
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–	–	–	–	–
Other	1900	13 054	58	888	887	526	22 932	38 345	24 345
<b>Total By Income Source</b>	<b>2000</b>	<b>54 398</b>	<b>10 176</b>	<b>10 501</b>	<b>10 882</b>	<b>8 916</b>	<b>410 924</b>	<b>505 798</b>	<b>430 722</b>
<b>Debtors Age Analysis By Customer Group</b>									
Organs of State	2200	2 903	1 129	1 234	1 316	1 241	57 242	65 065	59 799
Commercial	2300	21 543	1 892	1 487	3 124	1 336	46 563	75 945	51 023
Households	2400	14 765	4 209	4 199	4 118	3 965	210 164	241 421	218 247
Other	2500	15 188	2 946	3 581	2 324	2 374	96 955	123 367	101 653
<b>Total By Customer Group</b>	<b>2600</b>	<b>54 398</b>	<b>10 176</b>	<b>10 501</b>	<b>10 882</b>	<b>8 916</b>	<b>410 924</b>	<b>505 798</b>	<b>430 722</b>

### **Quarte 3 Debt Breakdown Analysis - 31 March 2024**

Account Type	Total Amount	Farm	Ha-Tshikota (Vleifontein)	Louis Trichardt	Makhado A (Dzanani)	Tshikota	Villages	Waterval
Agriculture	119 415 353.96	79 394 840.32	-	39 697 847.49	136 150.24	812.43	185 703.48	-
Businesses/ Industrial	75 944 732.65	7 575 838.25	294 795.56	65 985 483.45	1 173 178.91	352 178.94	2 244.27	561 013.27
Churches	628 062.77	(1 307.64)	3 380.82	583 680.97	-	18 189.44	28 560.54	(4 441.36)
Government (SOP)	62 718 592.33	43 156 114.87	-	7 721 368.44	29 166.61	428 925.99	10 219 463.96	1 163 552.46
Municipal	2 346 621.90	352 652.67	-	817 779.59	-	1 176 189.64	-	-
Public Benefit Organisation (PBO)	33 461.79	28 645.29	-	4 816.50	-	-	-	-
Public Service Infrastructure (PSI)	3 290 019.83	2 999 090.38	-	290 929.45	-	-	-	-
Residential	241 420 962.92	823 483.47	1 440 425.07	228 034 865.16	1 227 340.14	3 634 845.37	1 693 500.24	4 566 503.47
<b>GRAND - TOTAL</b>	<b>505 797 808.15</b>	<b>134 329 357.61</b>	<b>1 738 601.45</b>	<b>343 136 771.05</b>	<b>2 565 835.90</b>	<b>5 611 141.81</b>	<b>12 129 472.49</b>	<b>6 286 627.84</b>

### **Summary of Debt Impairment Narration**

Allowance for debt impairment for the first quarter ending 31 March 2024 equals R417.3 million.

The Total Consumer Debtor debt as at the 31<sup>st</sup> March 2024 equals R505.8 million.

The Net Debt Collectible as at 31<sup>st</sup> March 2024 equals R88.5 million.

The table below reflects both the collection rate and the distribution loss for the third quarter ending 31 March 2024

<b>Collection Rate Table</b>							
<b>Quarter - 1</b>		<b>Quarter - 2</b>		<b>Quarter - 3</b>		<b>Quarter 4</b>	
<b>Month</b>	<b>Percentage</b>	<b>Month</b>	<b>Percentage</b>	<b>Month</b>	<b>Percentage</b>	<b>Month</b>	<b>Percentage</b>
July – 2023	59%	October - 2023	96%	January – 2024	88%	April – 2024	
August – 2023	96%	November - 2023	74%	Feb - 2024	94%	May - 2024	
September - 2023	84%	December – 2023	79%	March – 2024	83%	June – 2024	
Total	239%		249%		265%		
<b>Average percentage for the Quarter – 1</b>	<b>80%</b>	<b>Average percentage for the Quarter - 2</b>	<b>83%</b>	<b>Average percentage for the Quarter - 3</b>	<b>88%</b>	<b>Average Percentage for Fourth quarter</b>	

The third quarter average collection rate is 88%.

Distribution Rate Table							
Quarter - 1		Quarter – 2		Quarter - 3		Quarter 4	
Month	<u>Percentage</u>	Month	<u>Percentage</u>	Month	<u>Percentage</u>	<u>Month</u>	<u>Percentage</u>
July – 2023	6%	October - 2023	22%	January - 2024	2%	April 2023	
<u>August – 2023</u>	19%	November - 2023	8%	February - 2024	14%	May 2023	
September - 2023	3%	December - 2023	9%	March - 2024	11%	June 2023	
<u>Total</u>	28%		39%	Total		Total	
<b>Average percentage for Quarter - 1</b>	<b>9%</b>	<b>Average percentage for Quarter - 2</b>	<b>13%</b>	<b>Average percentage for Quarter - 3</b>	<b>9%</b>	<b>Average percentage for Quarter - 4</b>	

**The third Quarter average Distribution Loss is 9%**

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

## 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 is being 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 month
- The VDM has paid the water debt in full.
- Installation of prepaid meter.
- Organs of government are addressed through the IGR meeting conducted within the province, coordinated by CoGHSTA.

## SCM PROCESS

### 6. COMPETITIVE BIDDING PROCESSES ACTIVITY

ACTIVITY	Bids Advertised	Evaluated	Adjudicated	Awarded	BBB-EE	Cancelled and re-adverts
Balance B/F	17	-	-	-	-	-
1 <sup>st</sup> Quarter	08	16	16	16		
2 <sup>nd</sup> Quarter	34	11	11	11		
3 <sup>rd</sup> Quarter	06	07	07	07		09
TOTAL	65	34	34	34		09
ANNEXURE	A	B	C	D	E	F

All requests for adverts were processed. As at 31 March 2024, the following 22 bids were not awarded:

NO	BID NO	DESCRIPTION	CLOSING DATE	COMMENTS
01	79 OF 2023	Lease of portion of erf 3403 in louis trihardt extension 12 township for agricultural purposes	23-Oct-23	In Evaluation
02	82 OF 2023	Appointment of electrical contractor for upgrading of 66kv breakers at levubu and beaufort substation	23-Oct-23	In Evaluation
03	80 OF 2023	Provision of legal services for the period of three years	23-Oct-23	In Evaluation
04	97 OF 2023	Supply and delivery of skip bins and cover nets	04-Dec-23	In Evaluation
05	96 OF 2023	Supply and delivery of heavy duty brush cutter machines	04-Dec-23	In Evaluation
06	87 OF 2023	Supply,delivery,installation and commissioning of serverroom environmental management system	11-Dec-23	In Evaluation
07	89 OF 2023	Renew four server warrenty	11-Dec-23	In Evaluation
08	88 OF 2023	Office 365 e3 licence for 400 users renewable for three years	11-Dec-23	In Evaluation
09	98 OF 2023	Construction of concrete palisade fence at waternal stores	22-Jan-24	In Evaluation
10	99 OF 2023	Construction of concrete palisade fence at muduluni village cementry	22-Jan-24	In Evaluation
11	100 OF 2023	Construction of concrete palisade fence at maguvhuni village cementry	22-Jan-24	In Evaluation
12	101 OF 2023	Construction of concrete palisade fence at ramantsha village cementry	22-Jan-24	In Evaluation

13	102 OF 2023	Construction of concrete palisade fence at tshituni ha ratombo village cementry	22-Jan-24	In Evaluation
14	105 OF 2023	Supply and delivery of round pipes and culvert pipes	26-Jan-24	In Evaluation
15	111 OF 2023	Construction of guard room,septic tank,steel water tank stand at east bergview stadium	26-Jan-24	In Evaluation
16	112 OF 2023	2X 22KV Indoor SF6 vacuum breakers with complete 110 v DC Charger with 85 Nicad Batteries	31-Jan- 2024	In Evaluation
17	01 OF 2024	Supply,delivery,Installation and Commission of 22kv Breakers at Roodewaal Substation	23 -Feb-2024	In Evaluation
18	02 OF 2024	Design,Supply,delivery,Installation and Commissioning of 3x50kv Solar System	23 -Feb-2024	In Evaluation
19	03 OF 2024	Panel of Electrical Contractors for emergency and Preventative for the period of three years	15-March-2024	In Evaluation
20	04 OF 2024	Panel of engineering Consultants for electrical Projects for the period of three years	15-March-2024	In Evaluation
21	05 of 2024	Supply and delivery of refuse plastic bags for the period of three years	15-March-2024	In Evaluation
22	114 OF 2023	Supply and delivery of digital laser cam 4	31-Jan-24	In Evaluation

**FORMAL WRITTEN QUOTATION AS AT 31 MARCH 2024**

<b>ACTIVITY</b>	<b>Quotations Advertised</b>	<b>Quotations Evaluated</b>	<b>Quotations Awarded</b>
<b>1st QUARTER</b>	19	17	17
<b>2nd QUARTER</b>	48	33	33
<b>3rd QUARTER</b>	28	17	17

### **PROCUREMENT DEVIATION FOR THIRD QUARTER REPORT**

1. The number of awards made in terms of SCM regulation 36

**= 06**

2. Reason(s) for deviation in terms of SCM Regulations 36

**Reason: Sole service providers and impractical to follow normal SCM process**

3. Total value of deviations under R200 000.00

**= R 91 516.20**

4. Total value of deviations over R200 000

**= R0**

5. Total number of deviations under R 200 000 is 08

6. Total number of deviation over R 200 000 is 0



**Closing balance as at 31 March 2024      R 69 546 487.70**

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**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 third quarter ending 31 March 2024 for the 2023/2024 financial year be considered by Council.