



REPORT TO: **BUDGET STEERING COMMITTEE**

File ref.....

Collaborator/Item no:

Date: 12 October 2023

SUBJECT: SECTION 52(d) FINANCIAL REPORTING FOR THE QUARTER ENDING 30 SEPTEMBER 2023

REPORT DATED 12 OCTOBER 2023 ON SECTION 52(d) REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2023 FROM THE MUNICIPAL MANAGER TO THE BUDGET STEERING COMMITTEE

1. PURPOSE

To submit for approval the financial performance of Makana Local Municipality for the quarter ending 30 September 2023, as required in terms of section 52(d) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

2. EXECUTIVE SUMMARY

Section 52(d) of the Municipal Finance Management Act (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with, in terms of the mentioned Act.

The Accounting Officer of the municipality must report by no later than 10 working days at the end of each month to the mayor, the relevant Provincial Treasury and National Treasury, a statement in the **prescribed format** on the financial performance of the municipality's budget.

Section 66 of the Municipal Finance Management Act further prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a format and for the prescribed period. It is considered appropriate to report on this section of the Act monthly to coincide with the reporting requirements of Section 71, 52(d) and 72 of the Act.

The objectives of the budget format reforms in terms of these regulations are:

- To ensure that the Municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA);
- To formalize the norms and standards governing Municipal Budget and Financial Reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports;
- To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability; and
- To facilitate informed policy choices and decisions by Council and medium-term planning of service delivery by aligning targets to achieve backlog elimination.

3. DISCUSSION

This report is a summary of the main budget issues arising from the in-year monitoring process and intends to inform and enable the committee to fulfil its oversight responsibility.

3.1 Operating Budget

The following table represents an executive summary of revenue and expenditure for the quarter ending 30 September 2023.

| Description | Original Budget 2023/24 | September 2023 YTD/ Actual | Percentage Expenditure/ Billed/Received |
|--------------------------------|----------------------------|-------------------------------|---|
| Operating Revenue | 614 315 | 176 762 | 29% |
| Operating Grants | 127 657 | 52 189 | 41% |
| Total Operating Revenue | 741 972 | 228 951 | 31% |
| Capital Grants & Subsidies | 48 979 | - | 0% |
| Total Revenue | 790 951 | 228 951 | 29% |
| Operating Expenditure | 684 903 | 122 937 | 18% |
| Capital Expenditure | 67 378 | 15 558 | 23% |
| Total Expenditure | 752 281 | 138 495 | 18% |
| | | | |
| Surplus/(Deficit) | 57 069 | 106 014 | |

The above table reflects a total budgeted operating revenue of **R742 million** against the operating expenditure of **R685 million**, leaving an anticipated budget surplus of **R57 million**. The capital budget is at **R67,4 million** and is mainly funded by conditional grants with very little contribution by the municipality of **R18,3 million**. The success of capital expenditure funded from internal revenues is highly dependent on the collection rate.

The operating revenue performance as at 30 September was at **R229 million** or **31%** whilst the operating expenditure to date was at **R122,9 million** or **18%**. The over-performance of **R43,5 million** or **23%** on operating revenue was because of property rates, sewer and water connections that have been billed for the year and equitable share that is received in three (3) tranches for the financial year. Improved meter reading in both water and electricity is starting to yield results.

Operating expenditure performance as at 30 September 2023 was at **R122,9 million** or **18%** and the municipality has underperformed by **R48,3 million** or **28%**. The capital expenditure as of 30 September 2023 amounted to **R15,6 million** or **18%** of the budgeted expenditure.

3.2 Operating Revenue per Category

The table below reflects over performance by all service charges owing to annual property rates and connection fees that were billed in July 2023 for the entire financial year. Equitable share is also received in three (3) tranches hence it reflects a higher percentage on receipt.

The YTD billing/receipts for service charges, property rates and transfers and grants amounted to **R176,8 million** or **29%** and grants and subsidies at **R52,2 million** or **41%** for the quarter under review. The grants are reflecting a higher percentage due to equitable share that is received in three (3) tranches for the full financial year. Services are reflecting a better performance when compared to budget due to meters that are being read for both water and electricity.

The source of funding for the above comprises of the following revenue categories:

| Revenue By Source | Original Budget 2023/24 | Sept 2023 YTD/ Actual | Percentage Revenue | Sept 2023 YTD/ Budget | Sept 2023 YTD/ Variance | Percentage Billed/Receipt ed |
|-------------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------------|-------------------------------|------------------------------------|
| | R'000 | R'000 | % | R'000 | R'000 | % |
| Property Rates | 114 122 | 40 515 | 36% | 28 531 | 11 984 | 42% |
| Service Charges - Electricity | 171 132 | 50 093 | 29% | 42 783 | 7 310 | 17% |
| Service Charges - Water | 175 295 | 43 549 | 25% | 43 824 | - 275 | -1% |
| Service Charges - Sanitation | 40 536 | 18 004 | 44% | 10 134 | 7 870 | 78% |
| Service Charges – Refuse | 15 551 | 6 150 | 40% | 3 888 | 2 262 | 58% |
| Rental Equipment | 150 | 71 | 47% | 38 | 33 | 87% |
| Interest Earned - Investments | 3 800 | 132 | 3% | 950 | - 818 | -86% |
| Interest Earned - Outstanding DR | 77 685 | 16 954 | 22% | 19 421 | - 2 467 | -13% |
| Fines | 1 800 | 9 | 1% | 450 | - 441 | -98% |
| Licences & Permits | 845 | 2 | 0% | 136 | - 134 | -99% |
| Agency Services | 3 700 | 722 | 20% | 925 | - 203 | -22% |
| Operating Grants & Subsidies | 127 657 | 52 188 | 41% | 31 914 | 20 274 | 64% |
| Other Revenue | 10 000 | 562 | 6% | 2 500 | - 1 938 | -78% |
| TOTAL | 742 273 | 228 951 | 31% | 185 494 | 43 457 | 23% |

The above table reflects that the municipality is currently over its targeted budget as at 30 September 2023 by **R43,5 million** or **23%** due to services that have over performed, like electricity, water, sanitation and refuse an analysis needs to be made on these services with the assistance user departments, to ensure that revenue due to the municipality in 2023/2024 financial is a true reflection of anticipated revenue by the municipality in line with section 18 of the MFMA.

The cleaning of municipal data and installation of prepaid water meters will help the municipality to budget better for water revenue and improve the collection rate as currently people continue to be billed for water that they are not paying for and estimates are still done where meters are faulty or covered under ground. There is a dedicated water services team that is dealing with water meters, however the team did not work in September 2023 due to non-availability of vehicles. The programme is moving very slow, it is however resolving some of the long outstanding queries from consumers.

Dedicated teams are required for both water and electricity services that will ensure that all meters are in a working condition and can be read regularly to improve budgeting and collection rate.

3.3. Operating Expenditure per Category

Detailed Operating Expenditure per Category

The below table represents operating expenditure per category incurred as at 30 September 2023, in relation to the original budget.

| Expenditure by Type | Original Budget 2023/24 | Sept 2023 YTD/ Actual | Percentage Expenditure | Sept 2023 YTD/ Budget | Sept 2023 YTD/ Variance | Percentage Expenditure |
|---------------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------|-------------------------------|---------------------------|
| | R'000 | R'000 | % | R'000 | R'000 | % |
| Employee Related Costs | 247 243 | 51 160 | 21% | 61 811 | - 10 651 | -17% |
| Remuneration of Councillors | 14 389 | 3 560 | 25% | 3 597 | - 37 | -1% |
| Debt Impairment | 73 920 | 276 | 0% | 18 480 | - 18 204 | -99% |
| Depreciation & Asset Impairment | 35 275 | - | 0% | 8 819 | - 8 819 | -100% |
| Finance Charges | 6 969 | 3 384 | 49% | 1 742 | 1 642 | 94% |
| Bulk Purchases | 183 744 | 40 210 | 22% | 45 936 | - 5 726 | -12% |
| Other Materials | 14 565 | 1 842 | 13% | 3 641 | - 1 799 | -49% |
| Contracted Services | 51 828 | 8 547 | 16% | 12 957 | - 4 410 | -34% |
| Transfers & Grants | 992 | - | 0% | 248 | - 248 | -100% |
| Other Expenditure | 55 978 | 13 958 | 25% | 13 995 | - 37 | 0% |
| | | | | | | |
| TOTAL | 684 903 | 122 937 | 18% | 171 226 | - 48 289 | -28% |

The table above reflects operating expenditure for the period ending 30 September 2023, which amounted to **R122,9 million** or **18%**. The year-to-date budget reflects an estimated expenditure of **R171,2 million** and therefore there is a variance of **R48,3 million** or **28%**.

Below are the detailed payments that were made towards employee related costs and suppliers as at 30 September 2023:

| Payee / Supplier | July 2023 | August 2023 | Sept 2023 |
|---|--------------------|--------------------|--------------------|
| | Amount (R) | Amount (R) | Amount (R) |
| Salary Related Costs | 17 993 615 | 18 259 759 | 18 718 920 |
| MIG Payments | 1 634 029 | 4 081 253 | 3 702 935 |
| DBSA Loan | 577 202 | 577 202 | 577 202 |
| FMG | 50 175 | | |
| WSIG funding | 4 344 834 | | 183 363 |
| EPWP funding | | 101 700 | 223 500 |
| IT / system related / computers | 1 079 328 | 921 723 | 2 816 536 |
| Fuel | 508 981 | 239 639 | 566 229 |
| Maintenance/stock items | 497 678 | 1 441 177 | 664 865 |
| Water chemicals/testing/water purchases | 492 160 | 381 866 | 1 994 303 |
| Postage: Consumer Statements | 86 275 | 99 585 | |
| Legal fees and related payments | 9 139 | 79 751 | 328 665 |
| Telephones | 48 029 | 48 511 | 48 804 |
| Commission: VAT review/prepaid/fines | 228 797 | 244 345 | 242 692 |
| Licence cards | 26 465 | 22 041 | 16 195 |
| Refunds | 67 969 | 74 735 | 73 956 |
| Annual subscriptions and licences | 1 752 363 | | 13 497 |
| Revco | | | |
| Advertisements | 29 201 | 52 090 | 134 108 |
| Auditor - General | 459 202 | | 730 138 |
| Amatola Water | 1 126 059 | | |
| SALGA | 5 000 | 510 000 | 512 544 |
| Travel and accommodation/Training | 37 043 | 109 599 | 209 270 |
| Security | 1 401 556 | 115 651 | 72 240 |
| Eskom | 8 965 304 | 7 200 000 | 7 594 413 |
| Eskom small accounts | 869 344 | 239 363 | 829 117 |
| Eskom FBE | 480 146 | 478 521 | 526 939 |
| AFS | 110 510 | | 420 825 |
| General Valuation | 273 600 | | |
| Department of Transport | 469 030 | 756 911 | 517 367 |
| Other incl. VAT, Audit Comm, Covid-19 | 21 977 | 246 490 | 60 527 |
| Landfill site | 562 626 | | 562 626 |
| Own Capital Expenditure | 324 832 | | |
| Dept of Human Settlements | | 346 000 | |
| Total | 44 532 469 | 36 627 911 | 42 341 779 |

The above amounts were paid from the sources reflected hereunder. The municipality paid **R123,5 million** towards employee related costs and its suppliers for the quarter ending 30 September 2023.

The below table reflects the sources of funding for the payments that have been made for the period under review:

| Source of Funding | July 2023 | August 2023 | Sept 2023 |
|---|-------------------|-------------------|-------------------|
| | Amount (R) | Amount (R) | Amount (R) |
| EPWP operating grant | 0 | 101 700 | 223 500 |
| FMG operating grant | 50 175 | 0 | 0 |
| <i>DSRAC</i> | | | |
| <i>DoHS/ CoGTA</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>WSIG</i> | <i>4 344 834</i> | <i>0</i> | <i>183 363</i> |
| <i>DME</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>MIG</i> | <i>1 634 029</i> | <i>4 081 253</i> | <i>3 702 935</i> |
| Capital Grant | 5 978 863 | 4 081 253 | 3 886 298 |
| Own Capital Expenditure | 324 832 | 0 | 0 |
| Operating budget own expenditure | 38 178 599 | 32 444 957 | 38 231 981 |

The above table reflects the payment sources, and expenditure from MIG amounted to **R9,4 million**, WSIG **R4,5 million** and EPWP **R325,200**. From own revenue **R123,5 million** was paid for day-to-day operations and employee related costs. The grants are performing well currently and the municipality should meet the 60% requirement by 31 December 2023.

3.4 Payment Plans

The municipality is up to date with all its payment plans except for the Eskom and DWS Bulk Accounts. The municipality had to foot a bill of **R3 million** for MTN which was not serviced since 2021.

| SUPPLIER | DESCRIPTION | TOTAL AMOUNT OWED | AMOUNT PAID | BALANCE |
|--------------------------|----------------------------|-------------------|----------------|---|
| Eskom | Bulk Account | R67,460,722 | R25,000,000 | R42,460,722 |
| Eskom | Thomas Baines installation | R 8,351,770 | R7,851,770 | R500,000 |
| DBSA | 20 Year loan | R 56 358 399 | R 169,647 | R46,786,058 |
| DEPT. WATER & SANITATION | Purchase of Raw Water. | R71,225,330 | R 5,582,536.20 | R65,642,793.80 |
| AMATOLA WATER | Crisis Intervention | R 44,969,930 | R1,126,058.75 | Rnil (excl R9m interest) which Amatola Water has taken to its board for write off consideration |

With the poor collection rate the municipality is struggling to meet the Eskom and DWS arrangements, however it is trying to keep up to date with the monthly accounts. The amount reflected above is for the arrear account and not the monthly account as the municipality is trying to ensure that the arrangement amount and the current account is settled monthly, under the difficult circumstances of revenue collection. The municipality has submitted the application for Eskom Debt Relief by 30 September 2023 and the application is currently considered by National and Provincial Treasury.

The cash flow of the municipality remains a challenge until the collection rate is improved and arrear creditors are fully paid. **Management should really procure what is necessary considering the financial situation of the municipality.**

3.5 Employee Related Costs

The total employee related expenditure, including overtime is within the budgetary limits. Though departments are advising to have reduced overtime, these efforts are not reflected in monetary terms and overtime continues to consume at least **R1 million** every month. Expenditure on overtime in July 2023 amounted to **R996,170,22**, for August it increased further to **R1,054,746,56** and in September it was **R1,045,815.06**. The total overtime for the quarter amounted to **R3,1 million**.

The total salary cost, including 3rd party payments for the quarter ending September 2023 as reported in terms of section 66 of the MFMA amounted to **R51,2 million**. The employee-related costs translate to **21%** of the budgeted employee related costs and **7%** of the operating expenditure. The overall budgeted expenditure for employee related cost for 2023/2024 amounts to **36%** of the total expenditure.

The expenditure to date on employee related costs to date are still within the acceptable norm of 30% to 40% by National Treasury.

3.6 Leave Encashment

| E/CODE | EMPLOYEE NAME | EMP.AMOUNT | DATE TERMINATED | REASON |
|---------------|-------------------------------|-------------------|------------------------|---------------|
| 294 | KEWUTI WILDON ELVIS | 39 864,00 | 30/06/2023 | RETIREMENT |
| 1543 | MBANJWA NOMANDLA | 118 669,92 | 30/06/2023 | RESIGNED |
| 1714 | MAZANTSANA AGCOBILE | 84 048,23 | 30/06/2023 | RESIGNED |
| 1498 | PETER NCEDIWE THOBEKA | 9 403,02 | 30/06/2023 | RETIREMENT |
| 1717 | MADUNA KUBEFU ALBERT | 26 402,92 | 31/07/2023 | RESIGNED |
| 1223 | NGINDANA ZANDISILE JEFFREY | R8976,84 | 26/08/2019 | DECEASED |

The total leave payout for the quarter ending 30 September 2023 amounted to **R287,363**. These were leave days for employees that had left the employment of the municipality, and this is money could have been used on day-to-day operations.

This is owed to poor leave management by Directorates and management not implementing the provisions of the collective agreement when it comes to leave management. Managements needs to encourage staff to take leave and put a tentative date towards leave forfeiture should an employee have leave days beyond 48 days.

Employees should however be encouraged to keep their leave days minimal as this has a negative impact on cash flow of the municipality.

3.7 Employee Related Costs – Overtime

As per the Annexure attached elsewhere in this report, the overtime paid out for the quarter ending 30 September 2023 amounted to **R3,1 million** and this is inclusive of shift overtime – Refer **Annexure “1”** for details. The overtime continues to consume **R1 million** on a monthly basis in the financially strained municipality.

3.8. Fruitless & Wasteful Expenditure as at 30 September 2023

Due to the municipality’s current financial situation, the municipality is continuing to incur fruitless and wasteful expenditure. However, efforts are made to prioritise payments to those suppliers who charge interest. During the quarter ending 30 September 2023 interest recognized amounted to **R2,177,783**. The total fruitless and wasteful expenditure incurred in 2022/2023 financial year amounted to **R8,2 million**, Refer **Annexure “2”** for details.

3.9 Unauthorised Expenditure

In terms of section 32 of the MFMA, 'unauthorised expenditure' may only be authorised (condoned) by the municipal council in an adjustments budget. There are no votes that had been overspent to date except for missallocations that will be dealt with internally.

3.10 Cash Flow Situation

In terms of cash flow position the municipality shows a positive bank balance of **R6 million** as of 30 September 2023. The investments linked to conditional grant funding and DBSA collateral amounted to **R78,7 million**.

The total collections/receipts for the quarter amounted to **R86 million**, plus **R30 million** equitable share, meaning the municipality is still performing far below the expected revenue collection to meet its monthly commitments of over **R120 million** for the quarter under review.

3.10.1 Creditors/Trade Payables

As at quarter ending 30 September 2023, the total debt owed to creditors amounted to **R214 million**. The creditors decreased when compared to 31 August 2023, as they were standing at **R222 million**, a decrease of **R8 million**.

3.10.2 Debtors Age Analysis

As at 30 September 2023 the debtors book increased by **R10,2 million or 1%** when compared with the debt book as at 31 August 2023. When compared with the debt book as at 30 June 2023, the debt book increased by **R91,5 million or 10%**. The huge increase was also influenced by the billing of the annual rates and annual connection fees, as the monthly increase is between **R10 to R16 million** or 1%.

This amount is divided into the following categories & type:

| SUMMARY /PROOF ON CROSS COUNT | | | | | | | | |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|
| Consumers | Current | INTEREST | 30 DAYS | 60 DAYS | 90 DAYS | 120 DAYS | TOTAL | |
| Govt departments | 2 458 434,74 | 2 511 146,01 | 2 798 578,32 | 23 835 833,06 | 203 858,84 | 5 540 463,79 | 37 348 314,76 | |
| Residents | 30 247 969,53 | 203 262 464,64 | 21 480 234,86 | 33 001 901,14 | 18 794 293,58 | 574 904 756,11 | 881 691 619,86 | |
| Business & Industries | 1 890 207,81 | 18 232 718,31 | -1 124 116,18 | 3 052 780,03 | 1 263 050,43 | 47 452 322,54 | 70 766 962,94 | |
| Councillors | 4 706,81 | 27 343,16 | 673,15 | 6 883,12 | 801,42 | 24 554,80 | 64 962,46 | |
| Mun Officials | 117 979,02 | 362 379,39 | 62 122,44 | 86 756,19 | 61 904,51 | 1 291 888,41 | 1 983 029,96 | |
| Other institutions | - | - | - | - | - | - | - | |
| TOTAL | 34 719 297,91 | 224 396 051,51 | 23 217 492,59 | 59 984 153,54 | 20 323 908,78 | 629 213 985,65 | 991 854 889,98 | |
| OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA | | | | | | | | |
| SERVICES | CURRENT | INTEREST | 30 DAYS | 60 DAYS | 90 DAYS | 120 DAYS | TOTAL | |
| Water | 7 995 702,45 | - | 9 335 056,35 | 10 830 024,66 | 11 197 266,32 | 226 489 692,94 | 265 847 742,72 | |
| Electricity | 12 797 668,05 | - | 4 640 766,48 | 2 432 747,35 | 1 427 357,16 | 36 163 427,95 | 57 461 966,99 | |
| Sanitation | 2 736 817,72 | - | 2 206 375,81 | 8 694 558,66 | 1 126 483,05 | 67 722 401,93 | 82 486 637,17 | |
| Refuse | 2 050 685,71 | - | 1 706 400,03 | 1 641 444,73 | 987 829,65 | 49 469 863,31 | 55 856 223,43 | |
| Rates | 10 605 434,92 | - | 3 613 154,43 | 32 427 130,40 | 3 510 817,46 | 165 047 098,53 | 215 203 635,74 | |
| Other | -1 467 010,94 | - | 1 715 739,49 | 3 958 247,74 | 2 074 155,14 | 84 321 500,99 | 90 602 632,42 | |
| Combined | - | 224 396 051,51 | - | - | - | - | 224 396 051,51 | |
| TOTAL | 34 719 297,91 | 224 396 051,51 | 23 217 492,59 | 59 984 153,54 | 20 323 908,78 | 629 213 985,65 | 991 854 889,98 | |
| GOVERNMENT DEPARTMENT | | | | | | | | |
| DEPARTMENT | Water | Electricity | Sanitation | Refuse | Rates | Others | Combined | TOTAL |
| EDUCATION | 469 522,75 | 496 323,00 | 15 722,70 | 24 135,80 | 66 664,33 | -130 663,87 | 103 978,00 | 1 045 682,71 |
| PROVINCIAL PUBLIC WORKS | 25 661,89 | 170 676,41 | 4 190 465,61 | 6 825,24 | 19 085 153,29 | 836 792,75 | 723 434,51 | 25 039 009,70 |
| NATIONAL PUBLIC WORKS | 977 668,82 | 1 877 990,15 | 194 010,86 | 70 328,53 | 3 690 724,80 | -370 086,57 | 849 058,72 | 7 289 695,31 |
| HEALTH | -337 012,64 | 554 741,33 | - | 7 372,60 | - | -29 931,63 | 23 681,55 | 218 851,21 |
| SOCIAL DEVELOPMENT | 2 197,50 | 28 108,23 | - | 745,23 | - | 47 529,41 | 39,92 | 78 620,29 |
| HUMAN SETTLEMENT | - | - | -1 944,00 | - | 29 123,46 | -67 090,83 | 9 457,85 | -30 453,52 |
| TRANSPORT | 1 151 088,50 | 777 058,45 | 2 150,76 | 116 258,84 | - | 307 014,18 | 582 513,70 | 2 936 084,43 |
| DRDAR | 16 133,90 | 26 019,90 | - | 496,82 | - | 6 397,60 | - | 49 048,22 |
| DRDLR | - | - | - | - | 578 553,56 | - | 204 951,42 | 783 504,98 |
| NATURE CONSERVATION | - | 130 711,81 | - | - | - | 19 973,96 | 14 030,34 | 164 716,11 |
| SPORTS & CULTURE | 1 000,70 | 13 233,18 | - | 248,41 | - | -240 926,97 | - | -226 444,68 |
| TOTAL | 2 306 261,42 | 4 074 862,46 | 4 400 405,93 | 226 411,47 | 23 450 219,44 | 379 008,03 | 2 511 146,01 | 37 348 314,76 |

The debt book continues to increase and this is also influenced by the meter readings that are taken and in a number of cases there are state entities that were not read and some businesses that did not have water meters, which have since been installed. The annual property rates and connection fees have been billed in July 2023 and this is what led to a huge increase on government departments debt from **R12 million** in June 2023 to **R42,6 million** in August 2023. This debt has however reduced as at 30 September 2023 to **R37,3 million**.

Meter readers are monitored on a weekly basis to ensure improved meter readings and correct billing. It is however going to take time to ensure intended results are achieved due to meter adjustments that are made as a result of estimates readings that were used to bill some consumers.

The employee's debt is standing at **R1,9 million**, a decrease of **R600,000** compared to outstanding employee debt as at 30 June 2023. This was as a result of staff deductions that occurred in August 2023. The councillor debt is also increasing as the affected Councillor has not made an arrangement to date and the matter was escalated to the MM's and Speakers office.

The business debt is standing at **R71 million** owing to the corrections on consumer accounts that have been made and businesses that have since made arrangements to pay their accounts. The business debt decreased by **R6,5 million** when compared to the outstanding debt as at 30 June 2023.

3.10.3 Debt Collection Rate

The Ratio indicates the collection rate & measures increases or decreases in Debtors relative to annual billed revenue.

| Description | Collection Rate - July 2023 | | | | Collection Avg | Collection Rate - August 2023 | | | | Collection Avg | Collection Rate - September 2023 | | | | Collection Avg |
|-------------------------------------|-----------------------------|-------------------|--------------------|-------------------|-------------------------------------|-------------------------------|-------------------|--------------------|-------------------|------------------------------------|----------------------------------|-------------------|--------------------|-------------------|----------------|
| | Debtors Billing | Actual Receipts | Collection n% Indv | | | Debtors Billing | Actual Receipts | Collection n% Indv | | | Debtors Billing | Actual Receipts | Collection n% Indv | | |
| Property Rates | 27 852 415 | 4 934 495 | 18 | 7 505 772 | Property Rates | 5 327 913 | 6 103 848 | 115 | 3 302 081 | Property Rates | 7 346 609 | 8 644 278 | 118 | 4 553 208 | |
| Electricity | 12 281 474 | 7 582 157 | 62 | 3 309 657 | Electricity | 15 217 341 | 9 886 384 | 65 | 9 431 253 | Electricity | 11 802 095 | 13 165 574 | 112 | 7 314 586 | |
| Water Usage | 11 595 231 | 3 786 790 | 33 | 3 124 726 | Water Usage | 8 808 940 | 1 956 499 | 22 | 5 459 517 | Water Usage | 7 587 180 | 2 446 288 | 32 | 4 702 307 | |
| Water Connection | 9 400 539 | 1 209 668 | 13 | 2 533 292 | Water Connection | 3 029 081 | 1 712 391 | 57 | 1 877 334 | Water Connection | 3 160 054 | 1 425 603 | 45 | 1 958 507 | |
| Sewer Connection | 12 763 345 | 1 068 369 | 8 | 3 439 514 | Sewer Connection | 2 502 649 | 2 450 953 | 98 | 1 551 067 | Sewer Connection | 2 738 152 | 2 614 012 | 95 | 1 697 025 | |
| Refuse Removal | 2 053 650 | 548 030 | 27 | 553 425 | Refuse Removal | 2 048 037 | 528 022 | 26 | 1 269 312 | Refuse Removal | 2 048 161 | 536 806 | 26 | 1 269 389 | |
| Housing Rental | 9 530 | 8 283 | 87 | 2 568 | Housing Rental | 9 530 | 7 965 | 84 | 5 907 | Housing Rental | 9 530 | 8 786 | 92 | 5 907 | |
| Leases | 41 268 | 60 937 | 148 | 11 121 | Leases | 127 171 | 91 347 | 72 | 78 817 | Leases | 84 299 | 51 926 | 62 | 52 246 | |
| Interest Earned Outstanding Debtors | 5 441 408 | 527 491 | 10 | 1 466 371 | Interest Earned Outstanding Debtors | 5 511 583 | 390 995 | 7 | 3 415 914 | Interest Earned Outsta | 6 001 222 | 469 203 | 8 | 3 719 378 | |
| Other Revenue | 7 007 568 | 4 108 652 | 59 | 1 888 426 | Other Revenue | 1 304 263 | 4 071 141 | 312 | 808 343 | Other Revenue | 4 161 279 | 5 387 800 | 129 | 2 579 036 | |
| | 88 446 429 | 23 834 873 | | 23 834 873 | | 43 886 507 | 27 199 545 | | 27 199 545 | | 44 938 582 | 34 750 276 | | 27 851 590 | |
| Average calculated collection rate | | 26,9% | | | Average calculated collection rate | | 62,0% | | | Average calculated collection rate | 77,3% | | | | |

| Collection Rate - Quarter 1 | | | | |
|-------------------------------------|--------------------|-------------------|--------------------|-------------------|
| Description | Debtors Billing | Actual Receipts | Collection n% Indv | Collection Avg |
| Property Rates | 40 526 937 | 19 682 621 | 49 | 10 921 350 |
| Electricity | 39 300 910 | 30 634 115 | 78 | 10 590 955 |
| Water Usage | 27 991 351 | 8 189 577 | 29 | 7 543 213 |
| Water Connection | 15 589 674 | 4 347 663 | 28 | 4 201 163 |
| Sewer Connection | 18 004 146 | 6 133 334 | 34 | 4 851 824 |
| Refuse Removal | 6 149 848 | 1 612 859 | 26 | 1 657 284 |
| Housing Rental | 28 590 | 25 034 | 88 | 7 705 |
| Leases | 252 739 | 204 210 | 81 | 68 109 |
| Interest Earned Outstanding Debtors | 16 954 213 | 1 387 688 | 8 | 4 568 884 |
| Other Revenue | 12 473 110 | 13 567 592 | 109 | 3 361 300 |
| | 177 271 518 | 85 784 694 | | 47 771 788 |
| Average calculated collection rate | | 48,4% | | |

The above report reflects that the municipality collection rate at **48,4%** which is below the acceptable collection rate according to NT standards. The collection rate has increased from August to September by **15,3%** when compared to the collection rate as of 31 August 2023. The collection rate for the quarter is however still below the budgeted collection rate of 80% for the year. The low performance is due to under collection in most of services provided, looking at the collection percentages per service it is evident that the municipality is not doing well on electricity, water and refuse removal as they continue to collect under 100%.

3.10.4 Indigent Report

The below table summarizes the Indigent Statistics.

The table below reflects the indigent subsidy provided by the municipality for the quarter ending 30 September 2023. During the quarter under review an amount of **R1,8 million** was paid as a subsidy to indigent households.

| BREAKDOWN ON FREE BASIC SERVICES ALLOCATION AS AT 30 SEPTEMBER 2023 | | | | | | | |
|---|----------|------------------------------|----------|------------------------------|----------|------------------------------|---------------------|
| SERVICE | Jul-23 | | Aug-23 | | Sep-23 | | TOTAL Q1 |
| | QUANTITY | VALUE OF FREE BASIC SERVICES | QUANTITY | VALUE OF FREE BASIC SERVICES | QUANTITY | VALUE OF FREE BASIC SERVICES | |
| RATES | NIL | - | 126 | R10 509,31 | NIL | - | 10 509,31 |
| WATER CONNECTION | NIL | - | 116 | R25 330,92 | 114 | R25 112,55 | 50 443,47 |
| WATER USAGE | NIL | - | 106 | R6 142,12 | 101 | R5 555,86 | 11 697,98 |
| SEWER CONNECTION | NIL | - | 118 | R18 250,05 | 117 | R18 062,87 | 36 312,92 |
| REFUSE REMOVAL | NIL | - | 128 | R15 971,84 | 127 | R15 847,06 | 31 818,90 |
| ELECTRICITY(MUN) | 1091 | R157 511,91 | NIL | R0,00 | NIL | R0,00 | 157 511,91 |
| ELECTRICITY (ESKOM) | 5299 | R478 520,66 | 5303 | R526 684,77 | 5225 | R518 936,49 | 1 524 141,92 |
| Total | | R636 032,57 | | R602 889,01 | | R583 514,83 | 1 822 436,41 |

3.11 Grant Balances

| Description of Grant | Amount Gazetted 2023/243 | Actual Receipts 2023/24 | % Revenue |
|------------------------------------|--------------------------|-------------------------|------------|
| National Treasury Allocation | R'000 | R'000 | % |
| Equitable Share | R121,975 | R50,823 | 41,7% |
| Municipal infrastructure Grant | R28,455 | R13,080 | 46% |
| Finance Management Grant | R 3,100 | R3,100 | 100% |
| Water Service Infrastructure Grant | R21,947 | R6,584 | 30% |
| EPWP | R 1,013 | R253 | 25% |
| National Treasury Grant | R176,490 | R73,840 | 42% |
| Description of Grant | Amount Gazetted 2023/24 | Actual Receipts 2023/24 | % Income |
| Provincial Allocation | R'000 | R'000 | % |
| Library Service Grant | R4 000 | R 0 | 0% |
| Provincial Grant | R4 000 | R0 | % |
| TOTAL GRANTS | R180,490 | R73,840 | 41% |

The municipality has been allocated **R176,5 million** by national government and **R4 million** by provincial government. Total receipts received to date from national gazetted allocation amount to **R73,8 million** or **42%** and no amount has been received on provincial grants. The total grants allocated amounted to **R180,5 million** of which **R73,8 million** or **41%** has been received.

3.12 Capital Budget Summary

The below table represents capital expenditure incurred during the quarter ending 30 September 2023:

| EC104 MAKANA MUNICIPALITY CAPITAL EXPENDITURE 23/24 - SEPTEMBER 2023 | | | |
|---|-------------------|--|------------|
| | MIG | | |
| | 2023/24 Budget | September 2023 Expenditure (YTD) | % Spent |
| Upgrade of Ncame Street in Joza Kingsflats in Makhanda (Grahamstown) | 5 622 390,00 | 1 627 544 | 28,9% |
| Replacement of Ageing Asbestos pipes in Makhanda Phase 3 | 4 356 730,00 | 6 483 898 | 148,8% |
| Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda. | 4 268 250,00 | 1 695 121 | 39,7% |
| Upgrade of Makana way Phase 1 | 5 224 880,00 | 890 130 | 17,0% |
| Fencing of Mayfield WWTW | 2 000 000,00 | - | 0,0% |
| Refurbishment Waainek Water Treatment Works | 2 559 800,00 | 207 918 | 8,1% |
| Fencing of Mayfield, Tanti, low level and intermediate reservoirs | 3 000 000,00 | - | 0,0% |
| | 27 032 050 | 10 904 612 | 40% |
| WSIG | | | |
| | 2023/24 Budget | September 2023 Expenditure (YTD) | % Spent |
| Installation of domestic smart water meters | 6 000 000 | - | 0% |
| Refurbishment of Belmont Valley | 15 947 000 | 4 303 172 | 27% |
| | 21 947 000 | 4 303 172 | 20% |
| | | 1 695 121 | |
| Internally Generated Funds | | | |
| | 2023/24 Budget | September 2023 Expenditure (YTD) | % Spent |
| Equipment | 3 804 000 | - | 0% |
| Replacement of Fleet-Vehicles | 11 400 000 | - | 0% |
| Computer equipment | 1 045 000 | 124 897 | 12% |
| Office equipment | 2 150 000 | - | 0% |
| | 18 399 000 | 124 897 | 1% |
| Total Capital Budget | 67 378 050 | 15 332 681 | 23% |

The above report reflects an expenditure of **R15,3 million** or **23%** expenditure for the quarter ending 30 September 2023. The above table reflects underperformance by the municipality on capital spending as it should be sitting at around 30%. This is owing to the internal funded capital expenditure which is not feasible until municipal revenue improves. MIG expenditure was at 40% at the end of the quarter whilst WSIG was at 20%. A reconciliation will be performed for both grants to ensure that the financial records of the municipality agree to what is reported to the transferring departments.

On WSIG Belmont is under construction and there are recommendations for the appointment of panel of service providers for SMART Meters. The municipality has however seen it prudent to have a consultant that will monitor the installation of smart meters. This will ensure full expenditure of WSIG and as such there is an anticipated shortfall with the **R13 million** reduction in WSIG, which the municipality will be engaging National Treasury and DWS on, in line with the amounts withheld in the last financial year.

3.13 Status of mSCOA (Municipal Standard Chart of Accounts)

The department is focusing at ensuring the transactions are flowing correctly from the subsidiary ledgers to the general ledgers to improve the integrity of reported information and performing reconciliations.

From a National Treasury validation perspective, the department does the monthly upload of the financial (and certain non-financial) transactions from the General Ledger, which the National Treasury interrogate for integrity purposes. To date the department has successfully uploaded all the required data strings, except for the debtors, investments and borrowings data strings. Follow up is being made with the service provider for the Debtors Data Strings that are still incorrect.

3.14 **LEGISLATIVE REQUIREMENTS**

- Municipal Finance Management Act no 56 of 2003
- Municipal Property Rates Act 6 of 2004
- Customer Care, Credit Control and Debt Collection Policy
- Rates Policy

3.15 **ANNEXURES**

- Annexure 1: OVERTIME REPORT
- Annexure 2: FRUITLESS & WASTEFUL EXPENDITURE
- Annexure 3: DEBT BY TYPE REPORT
- Annexure 4: C SCHEDULE SEPTEMBER 2023

3.16 **RECOMMENDATION:**

It is recommended that:

- (a) The Budget Steering Committee **approves** the contents of the section 52(d) report and supporting documents for the quarter ending 30 September 2023.



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MR P.M. KATE
MUNICIPAL MANAGER