

REPORT TO: **AUDIT COMMITTEE**

File ref.....

Collaborator/Item no:

**Date: 19 January 2024**

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**SUBJECT: SECTION 72 FINANCIAL REPORTING FOR THE QUARTER ENDING 31 DECEMBER 2023**

**REPORT DATED 19 JANUARY 2024 ON SECTION 72 REPORT FOR THE QUARTER ENDING 31 DECEMBER 2023 FRM THE MUNICIPAL MANAGER TO THE AUDIT COMMITTEE**

## **1. PURPOSE**

To submit for consideration the financial performance of Makana Local Municipality for the quarter ending 31 December 2023, as required in terms of section 72 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

## **2. EXECUTIVE SUMMARY**

**Section 72** 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 25 January each year to the mayor, the relevant Provincial Treasury and National Treasury, and no later than 31 January 2024, 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 31 December 2023.

Description	Original Budget 2023/24	December 2023 YTD/ Actual	Percentage Expenditure/ Billed/Received
Operating Revenue	614 315	313 306	51%
Operating Grants	127 657	75 520	59%
<b>Total Operating Revenue</b>	<b>741 972</b>	<b>388 826</b>	<b>52%</b>
Capital Grants & Subsidies	48 979	27 308	56%
<b>Total Revenue</b>	<b>790 951</b>	<b>416 134</b>	<b>53%</b>
Operating Expenditure	684 903	249 293	36%
Capital Expenditure	67 378	29 127	43%
<b>Total Expenditure</b>	<b>752 281</b>	<b>278 420</b>	<b>37%</b>
<b>Surplus/(Deficit)</b>	<b>57 069</b>	<b>139 533</b>	

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 improved collection rate by the municipality and efforts implemented to increase municipal revenue to maintain basic infrastructure for service delivery sustainability.

The operating revenue performance as of 31 December 2023 was at **R388,8 million** or **52%** whilst the operating expenditure to date was at **R249,3 million** or **36%**. The capital expenditure as of 31 December 2023 amounted to **R29,1 million** or **43% against** the capital revenue from conditional grants of **R27,3 million** or **56%**. The balance is from internal revenue that is budgeted to fund capital grants.

**EC104 Makana - Table C1 Monthly Budget Statement Summary - M06 - Half Year**

Description	2022/23	Budget Year 2023/24							
	Audited Outcome	Original Budget	Adjusted Budget	Mid Year	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	107 450	114 122	–	62 870	62 870	57 061	5 809	10%	114 122
Service charges	336 678	402 513	–	212 442	212 442	201 257	11 185	6%	402 513
Investment revenue	3 838	3 800	–	257	257	1 900	(1 643)	-86%	3 800
Transfers and subsidies - Operational	124 634	127 657	–	75 520	75 520	63 828	11 691	18%	127 657
Other own revenue	71 410	93 880	–	37 748	37 748	46 940	(9 191)	-20%	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>644 010</b>	<b>741 972</b>	<b>–</b>	<b>388 836</b>	<b>388 836</b>	<b>370 986</b>	<b>17 850</b>	<b>5%</b>	<b>741 972</b>
Employee costs	199 396	247 243	–	108 863	108 863	123 621	(14 759)	-12%	247 243
Remuneration of Councillors	11 998	14 389	–	6 693	6 693	7 195	(502)	-7%	14 389
Depreciation and amortisation	31 656	35 275	–	–	–	17 638	(17 638)	-100%	35 275
Interest	16 652	6 969	–	9 288	9 288	3 485	5 803	167%	6 969
Inventory consumed and bulk purchases	163 310	198 309	–	79 287	79 287	99 155	(19 867)	-20%	198 309
Transfers and subsidies	–	992	–	–	–	496	(496)	-100%	992
Other expenditure	258 246	181 726	–	45 163	45 163	90 863	(45 700)	-50%	181 726
<b>Total Expenditure</b>	<b>681 259</b>	<b>684 903</b>	<b>–</b>	<b>249 293</b>	<b>249 293</b>	<b>342 452</b>	<b>(93 159)</b>	<b>-27%</b>	<b>684 903</b>
<b>Surplus/(Deficit)</b>	<b>(37 249)</b>	<b>57 069</b>	<b>–</b>	<b>139 543</b>	<b>139 543</b>	<b>28 534</b>	<b>111 009</b>	<b>389%</b>	<b>57 069</b>
Transfers and subsidies - capital (monetary allocations)	18 623	67 378	–	27 308	27 308	33 689	(6 381)	-19%	67 378
Transfers and subsidies - capital (in-kind)	3 105	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp;</b>	<b>(15 521)</b>	<b>124 447</b>	<b>–</b>	<b>166 851</b>	<b>166 851</b>	<b>62 223</b>	<b>104 628</b>	<b>168%</b>	<b>124 447</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
<b>Surplus/ (Deficit) for the year</b>	<b>(15 521)</b>	<b>124 447</b>	<b>–</b>	<b>166 851</b>	<b>166 851</b>	<b>62 223</b>	<b>104 628</b>	<b>168%</b>	<b>124 447</b>

**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 and property rates amounted to **R313,3 million** or **51% and** grants and subsidies at **R75,5 million** or **59%** 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 especially bulk electricity.

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

Revenue By Source	Original Budget 2023/24	December 2023 YTD/ Actual	Percentage Revenue	December 2023 YTD/ Budget	December 2023 YTD/ Variance	Percentage Billed/Receipted
	R'000	R'000	%	R'000	R'000	%
Property Rates	114 122	62 870	55%	57 061	5 809	10%
Service Charges - Electricity	171 132	90 600	53%	85 566	5 034	6%
Service Charges - Water	175 295	83 425	48%	87 647	- 4 222	-5%
Service Charges - Sanitation	40 536	26 123	64%	20 265	5 858	29%
Service Charges – Refuse	15 551	12 294	79%	7 775	4 519	58%
Rental Equipment	150	123	82%	80	43	54%
Interest Earned - Investments	3 800	257	7%	1 900	- 1 643	-86%
Interest Earned - Outstanding DR	77 685	35 521	46%	38 842	- 3 321	-9%
Fines	1 800	44	2%	900	- 856	-95%
Licences & Permits	845	3	0%	272	- 269	-99%
Agency Services	3 700	1 058	29%	1 850	- 792	-43%
Operating Grants & Subsidies	127 657	75 520	59%	63 828	11 692	18%
Other Revenue	10 000	998	10%	5 000	- 4 002	-80%
<b>TOTAL</b>	<b>742 273</b>	<b>388 836</b>	<b>52%</b>	<b>370 986</b>	<b>17 850</b>	<b>5%</b>

EC104 Makana - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 - Half Year

Description		Ref	2022/23 Audited Outcome	Original Budget	Adjusted Budget	Mid Year	Budget Year 2023/24 YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands											
Revenue											
Exchange Revenue											
Service charges - Electricity			148 546	171 132	-	90 600	90 600	85 566	5 034	6%	171 132
Service charges - Water			138 403	175 295	-	83 425	83 425	87 647	(4 223)	-5%	175 295
Service charges - Waste Water Management			33 200	40 536	-	26 123	26 123	20 268	5 855	29%	40 536
Service charges - Waste management			16 529	15 551	-	12 294	12 294	7 775	4 518	58%	15 551
Sale of Goods and Rendering of Services			1 808	-	-	774	774	-	774	#DIV/0!	-
Agency services			2 946	3 700	-	1 058	1 058	1 850	(792)	-43%	3 700
Interest			-	-	-	-	-	-	-	-	-
Interest earned from Receivables			44 102	77 685	-	30 027	30 027	38 842	(8 815)	-23%	77 685
Interest from Current and Non Current Assets			3 838	3 800	-	257	257	1 900	(1 643)	-86%	3 800
Dividends			-	-	-	-	-	-	-	-	-
Rent on Land			-	-	-	-	-	-	-	-	-
Rental from Fixed Assets			240	150	-	123	123	75	48	64%	150
Licence and permits			-	-	-	-	-	-	-	-	-
Operational Revenue			870	10 000	-	224	224	5 000	(4 776)	-96%	10 000
Non-Exchange Revenue											
Property rates			107 450	114 122	-	62 870	62 870	57 061	5 809	10%	114 122
Surcharges and Taxes			-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits			1 421	1 800	-	44	44	900	(856)	-95%	1 800
Licence and permits			12	545	-	3	3	272	(269)	-99%	545
Transfers and subsidies - Operational			124 634	127 657	-	75 520	75 520	63 828	11 691	18%	127 657
Interest			7 900	-	-	5 494	5 494	-	5 494	#DIV/0!	-
Fuel Levy			-	-	-	-	-	-	-	-	-
Operational Revenue			-	-	-	-	-	-	-	-	-
Gains on disposal of Assets			(28)	-	-	2	2	-	2	#DIV/0!	-
Other Gains			12 140	-	-	-	-	-	-	-	-
Discontinued Operations			-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and			644 010	741 972	-	388 836	388 836	370 986	17 850	5%	741 972

The above table reflects that the municipality is currently over its targeted budget as at 31 December 2023 by **R17,9 million** or **5%** due to services that have over performed, like electricity, sanitation, property rates 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.

BTO and DEIS have introduced technical meeting that is convened bi-weekly to look at the faulty meters for both water and electricity and how are these resolved, and an update is given in each meeting. The service provider for installation of prepaid and smart water meters, however funding remains a challenge and communication has been sent to National Treasury and DWS in this regard.

This project has been budget for in the current year, however adjustments will need to be made to accommodate the conclusion of Belmont Waste Water Treatment Works in the current year allocation for WSIG.

### 3.3. Operating Expenditure per Category

#### Detailed Operating Expenditure per Category

The below table represents operating expenditure per category incurred as of 31 December 2023, in relation to the original budget.

Expenditure by Type	Original Budget 2023/24	December 2023 YTD/ Actual	Percentage Expenditure	December 2023 YTD/ Budget	December 2023 YTD/ Variance	Percentage Expenditure
	R'000	R'000	%	R'000	R'000	%
Employee Related Costs	247 243	108 863	44%	123 621	- 14 758	-12%
Remuneration of Councillors	14 389	6 693	47%	7 195	- 502	-7%
Debt Impairment	73 920	276	0%	36 960	- 36 684	-99%
Depreciation & Asset Impairment	35 275	-	0%	17 638	- 17 638	-100%
Finance Charges	6 969	9 288	133%	3 485	5 803	167%
Bulk Purchases	183 744	76 549	42%	91 872	- 15 323	-17%
Other Materials	14 565	2 738	19%	7 282	- 4 544	-62%
Contracted Services	51 828	17 990	35%	25 914	- 7 924	-31%
Transfers & Grants	992	-	0%	496	- 496	-100%
Other Expenditure	55 978	26 897	48%	27 989	- 1 092	-4%
<b>TOTAL</b>	<b>684 903</b>	<b>249 294</b>	<b>36%</b>	<b>342 452</b>	<b>- 93 158</b>	<b>-27%</b>

The table above reflects operating expenditure for the quarter ending 31 December 2023, which amounted to **R249,3 million** or **36%**. The year-to-date budget reflects an estimated expenditure of **R342,5 million** leaving a variance of **R93,2 million** or **27%**.

EC104 Makana - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 - Half Year

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Mid Year	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Expenditure By Type										
Employee related costs		199 396	247 243	–	108 863	108 863	123 621	(14 759)	-12%	247 243
Remuneration of councillors		11 998	14 389	–	6 693	6 693	7 195	(502)	-7%	14 389
Bulk purchases - electricity		135 614	183 744	–	76 549	76 549	91 872	(15 323)	-17%	183 744
Inventory consumed		27 696	14 565	–	2 738	2 738	7 282	(4 544)	-62%	14 565
Debt impairment		1 309	–	–	–	–	–	–	–	–
Depreciation and amortisation		31 656	35 275	–	–	–	17 638	(17 638)	-100%	35 275
Interest		16 652	6 969	–	9 288	9 288	3 485	5 803	167%	6 969
Contracted services		30 624	51 828	–	17 990	17 990	25 914	(7 924)	-31%	51 828
Transfers and subsidies		–	992	–	–	–	496	(496)	-100%	992
Irrecoverable debts written off		181 356	73 920	–	276	276	36 960	(36 684)	-99%	73 920
Operational costs		43 535	55 978	–	26 897	26 897	27 989	(1 093)	-4%	55 978
Losses on Disposal of Assets		–	–	–	–	–	–	–	–	–
Other Losses		1 421	–	–	–	–	–	–	–	–
Total Expenditure		681 259	684 903	–	249 293	249 293	342 452	(93 159)	-27%	684 903

**Below are the detailed payments that were made towards employee related costs and suppliers as of 31 December 2023:**

Payee / Supplier	July 23	August 23	Sept 23	Oct 23	Nov 23	Dec 23
	Amount (R)	Amount (R)	Amount (R)	Amount (R)	Amount (R)	Amount (R)
Salary Related Costs	17 993 615	18 259 759	18 718 920	18 552 142	25 323 047	20 164 419
MIG Payments	1 634 029	4 081 253	3 702 935	5 379 000	966 965	3 719 536
DBSA Loan	577 202	577 202	577 202	577 202	577 202	
FMG	50 175		420 825	302 860		
WSIG funding	4 344 834		183 363	479 660		5 828 132
EPWP funding		101 700	223 500	296 060	167 880	339 960
IT / system related / computers	1 079 328	921 723	2 816 536	1 585 826	473 228	1 038 335
Fuel	508 981	239 639	566 229	227 962	54 230	1 177 558
Maintenance/stock items	497 678	1 441 177	664 865	1 295 166	775 309	756 122
Water chemicals/testing/water purchases	492 160	381 866	1 994 303	1 314 755	473 600	1 443 084
Postage: Consumer Statements	86 275	99 585		37 358	12 429	106 866
Legal fees and related payments	9 139	79 751	328 665		232 381	293 382
Telephones	48 029	48 511	48 804	49 288		
Commission: VAT review/prepaid/fines	228 797	244 345	242 692	238 910		
Licence cards	26 465	22 041	16 195	29 783	20 461	19 592
Refunds	67 969	74 735	73 956	60 923	52 533	9 000
Annual subscriptions and licences	1 752 363		13 497			
Revco						
Advertisements	29 201	52 090	134 108	131 880		65 251
Auditor - General	459 202		730 138	926 610		1 735 098
Amatola Water	1 126 059					
SALGA	5 000	510 000	512 544	500 000	500 000	500 178
Travel and accommodation/Training	37 043	109 599	209 270	72 679	192 758	169 622
Security	1 401 556	115 651	72 240	693 908		1 354 850
Eskom	8 965 304	7 200 000	7 594 413	9 532 636	5 000 000	11 613 432
Eskom small accounts	869 344	239 363	829 117	716 374	206 183	180 952
Eskom FBE	480 146	478 521	526 939	526 685	518 936	61
AFS	110 510					
General Valuation	273 600			136 800		
Department of Transport	469 030	756 911	517 367	1 048 279	466 352	572 783
Insurance						
DME/INEP funded projects					102 794	280 334
Other incl. VAT, Audit Comm, Covid-19	21 977	246 490	60 527	191 770	62 689	54 306
Landfill site	562 626		562 626	713 219	562 626	562 626
Own Capital Expenditure	324 832				26 220	600 000
Dept of Human Settlements		346 000		164 910		
Rental of vehicles						419 150
<b>Total</b>	<b>44 532 469</b>	<b>36 627 911</b>	<b>42 341 779</b>	<b>45 782 645</b>	<b>36 767 822</b>	<b>53 004 628</b>

The above amounts were paid from the sources reflected hereunder. The municipality paid **R259 million** towards employee related costs and its suppliers for the quarter ending 31 December 2023. The amount that reflects an over payment when compared to year to date expenditure relates to arrear payments for DWS and Eskom that are currently being serviced on a monthly basis, though there are shortfalls in terms of the current arrangements in place.

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

Sources of Funding	July 23	August 23	Sept 23	Oct 23	Nov 23	Dec 23
	Amount (R )	Amount (R )	Amount (R )	Amount (R )	Amount (R )	Amount (R )
EPWP operating grant	0	101 700	223 500	296 060	167 880	339 960
FMG operating grant	50 175	0	420 825	302 860	0	0
WSIG	4 344 834	0	183 363	479 660	0	5 828 132
DME/DHS	0	346 000	0	164 910	102 794	280 334
MIG	1 634 029	4 081 253	0	5 379 000	966 965	3 719 536
<b>Capital Grant</b>	<b>5 978 863</b>	<b>4 427 254</b>	<b>183 363</b>	<b>6 023 570</b>	<b>1 069 758</b>	<b>9 828 002</b>
<b>Own Capital Expenditure</b>	<b>324 832</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26 220</b>	<b>600 000</b>
Operating budget own expenditure	38 178 599	32 098 957	41 514 091	39 160 155	35 503 964	42 236 666

The above table reflects the payment sources, and expenditure from MIG amounted to **R25,6 million**, WSIG **R10,8 million** and EPWP **R993**. From own revenue **R228,7 million** was paid for day-to-day operations and employee related costs. The grants are performing well currently, and the municipality has met the 60% requirement on 31 December 2023. For MIG the municipality has fully used three tranches transferred by 31 December 2023 and the municipality has requested the department to pay now in January 2024 the last tranche that was due in March 2024.

The municipality has further engaged National Treasury to return back the funds that were withheld in the last financial year, to allow the conclusion of the current running MIG and WSIG Projects.

### 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 and was not previously reflected as part of the outstanding debt. This has had a negative impact on the municipality honoring the arranged payment plans. The annual payments are up to date pending the reconciliation of the monthly accounts by the service provider and IT Manager.

SUPPLIER	DESCRIPTION	TOTAL AMOUNT OWED	AMOUNT PAID	BALANCE
Eskom	Bulk Account	R67,460,722	R25,000,000	R42,460,722
DBSA	20 Year loan	R 56 358 399	R 172,469.11	R46,456,267.04
DWS	Purchase of Raw Water.	R71,225,330	R 7,203,996.20	R64,021,333.80
AMATOLA WATER	Crisis Intervention	R 44,969,930	R1,126,058.75	Rn1l (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. In October 2023 the application was again resent with the areas that Provincial Treasury raised to be corrected.

The municipality's application for Eskom Debt Relief has been approved under very strict conditions that the municipality must adhere to. The approved write off over three (3) year for the bulk eskom account amounts to **R57 million**. The municipality paid R11 million to Eskom in December and the balance of R6 million was paid beginning of January 2024 to ensure that the current account plus arrears is settled in line with the payment arrangement.

For 2023/2024 Financial year the municipality is paying the current account, plus the arrear accounts for 2022/2023. The current year account is up to date and paid till November 2023. For 2022/2023 the municipality has paid July and August 2022 and has settled the account from March 2023 to June 2023, meaning in 2022/23 six months accounts are remaining.

The municipality is still awaiting a response from Amatola Water Board on the interest write off and a follow up was made in this regard. 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**, September it was **R1,045,815.06**, for October, overtime amounted to **R993,015,38** and dropped slightly to **R 951 069,46** in November. For December the overtime amounted to **R 1,014,382,82**. The total overtime as of 31 December 2023 amounted to **R6 million**.

The total salary cost, including 3rd party payments for the month of December 2023 as reported in terms of section 66 of the MFMA amounted to **R19,967,662,41**. due to some 13<sup>th</sup> cheques still being paid in December and **R115,5 million** for the quarter ending 31 December and this is inclusive of councillors allowances. The employee-related costs to date translate to **44%** of the budgeted employee related costs and **16%** of the budgeted 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**

<b>E/CODE</b>	<b>EMPLOYEE NAME</b>	<b>EMP.AMOUNT</b>	<b>DATE TERMINATED</b>	<b>REASON</b>
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	R8 976,84	26/08/2019	DECEASED
733	ZONO BONIWE	R89 738,88	30 SEPTEMBER 2023	PENSIONED
1592	ABRAHAMS JULIA NONTOKOLO	R13 760,69	30 SEPTEMBER 2023	PENSIONED
DIR002	MAKGOKA KELELLO	R27 436,71	30 SEPTEMBER 2023	CONTRACT EXPIRED
350	MBELEKA ZWELENKOSI	R30 143,04		DECEASED
573	MDOKO LESLEY	R26 908,32		PENSIONED
00861A	RALO ELVIS MASIZA	R26 907,84		RESIGNED
884	QINELA MZOLISI ANDREW	R15 895,04		DECEASED
1247	NYOKA LUYANDA	R27 262,56		RESIGNED
1324	HABANA SANDILE DENNIS	R27 262,56		DECEASED
DIR-015	GIDANA ASANDA	120 722,97	2023/11/30	DISMISSED
884	QINELA MZOLISI ANDREW	23 703,96	2023/06/01	DECEASED
953	BUDAZA FUNDILE JEFFREY	142 066,42	2022/05/25	DECEASED
1216	HLUTHA KHOLISILE ENOCH	42 016,80	2023/11/30	PENSIONED
1581	MBOYI SIYABONGA	23 960,16	2021/04/07	DECEASED
1633	BRIJNTJES HERBERT LIONEL	28 073,28	2023/11/30	MEDICAL BOARD

Leave of **R362,857.65** was paid out by the municipality during the month of December 2023. The total leave payout for the quarter ending 31 December 2023 amounted to **R935,536**. 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, if leave was properly managed by Corporate Services and respective user departments.

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 and related service delivery expectations by municipal communities.

### **3.7 Employee Related Costs – Overtime**

As per the Annexure attached elsewhere in this report, the overtime paid out for the period ending 31 December 2023 amounted to **R6 million** and this is inclusive of shift overtime – Refer **Annexure “1”** for details. The overtime continues to consume **R1 million** monthly in the financially strained municipality.

### **3.8. Fruitless & Wasteful Expenditure as of 31 December 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 31 December 2023 interest recognized amounted to **R7,303,037,48**. 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 **R5,8 million** as of 31 December 2023. The investments linked to conditional grant funding and DBSA collateral amounted to **R76 million**.

The total collections/receipts for the quarter ending 31 December amounted to **R167,2 million**, plus **R60 million** equitable share, meaning the municipality is still performing far below the expected revenue collection to meet its monthly commitments.

CASH FLOW PROJECTIONS FOR MAKANA MUNICIPALITY FROM JANUARY 2024 TO MARCH 2024							
ITEM DESCRIPTION	YTD BILLING	YTD RECEIPTS	MONTHLY BILLING	3 MONTHS BILLING PROJECTIONS	MONTHLY COLLECTION	3 MONTHS COLLECTIONS PROJECTION	Monthly Variance
Opening Balance	48 000 000,00	48 000 000,00		3 MONTHS BILLING PROJECTIONS			
Conventional Electricity	70 199 777,80	28 161 029,43	11 699 962,97	35 099 888,90	9 827 968,89	29 483 906,68	5 615 982,22
Prepaid Electricity	23 293 960,00	23 293 960,00	3 882 326,67	11 646 980,00	3 882 326,67	11 646 980,00	-
Property Rates	62 888 695,64	31 446 398,16	10 481 449,27	31 444 347,82	7 756 272,46	23 268 817,39	8 175 530,43
Water	83 470 935,14	10 837 250,02	13 911 822,52	41 735 467,57	3 793 037,51	11 379 112,52	30 356 355,05
Sanitation	26 111 237,31	7 394 167,97	4 351 872,89	13 055 618,66	3 327 375,59	9 982 126,76	3 073 491,90
Refuse	12 293 617,31	1 473 365,01	2 048 936,22	6 146 808,66	368 341,25	1 105 023,76	5 041 784,90
Other Revenue	25 846 205,68	11 457 353,15	4 307 700,95	12 923 102,84	6 301 544,23	18 904 632,70	
Interest on Outstanding Debtors	35 521 247,28	1 366 551,03	5 920 207,88	17 760 623,64	546 620,41	1 639 861,24	16 120 762,40
Interest on Investments	3 246 000,00	544 000,00	541 000,00	541 000,00	541 000,00	1 623 000,00	- 1 082 000,00
Dept of Transport		7 200 000,00	1 200 000,00	3 600 000,00	1 200 000,00	3 600 000,00	
Equitable Share	65 960 808,50	65 960 808,50	10 993 468,08	32 980 404,25	10 993 468,08	32 980 404,25	-
Library Services	2 000 000,00	2 000 000,00	333 333,33	1 000 000,00	333 333,33	1 000 000,00	-
<b>Total</b>	<b>458 832 484,66</b>	<b>239 134 883,27</b>	<b>69 672 080,78</b>	<b>207 934 242,33</b>	<b>48 871 288,43</b>	<b>146 613 865,28</b>	<b>20 800 792,35</b>

  

ITEM DESCRIPTION	YTD EXPENDITURE	MONTHLY EXPENDITURE	MONTHLY EXPENDITURE	3 MONTHS PROJECTION
Salaries and Wages	115 500 000,00	19 250 000,00	19 250 000,00	62 750 000,00
Eskom	77 487 273,00	19 000 000,00	19 000 000,00	57 000 000,00
Eskom Small Accounts	3 623 154,33	603 859,06	603 859,06	1 811 577,17
Eskom FBE	3 854 316,66	35 000,00	35 000,00	105 000,00
Department of Water and Sanitation	6 387 479,00	1 470 000,00	1 470 000,00	4 010 000,00
Department of Transport	4 037 351,00	672 891,83	413 169,53	1 239 508,59
Office of the AG	3 790 000,00	150 000,00	150 000,00	-
SALGA	2 700 000,00	-	-	-
Legal Fees	554 800,00	120 000,00	120 000,00	360 000,00
Insurance	-	1 300 000,00	1 300 000,00	1 300 000,00
Advertisements	232 510,70	77 503,57	60 000,00	180 000,00
Maintenance Stock Items	3 676 937,18	146 666,67	146 666,67	440 000,00
Water Testing and Chemicals	2 255 227,57	751 742,52	751 742,52	2 255 227,57
Training, Travel & Accommodation	426 768,57	142 256,19	96 000,00	288 000,00
Prepaid Vending System	1 452 000,00	267 000,00	267 000,00	801 000,00
Telephones	898 800,00	149 800,00	55 000,00	165 000,00
Printing & Distribution of Accounts	622 938,00	103 823,00	115 000,00	345 000,00
DBSA Loan	3 465 372,00	577 567,00	577 567,00	1 732 701,00
Landfill Site	3 376 200,00	562 700,00	562 700,00	1 688 100,00
Security Services	4 260 000,00	710 000,00	710 000,00	2 130 000,00
Drivers Licences	181 542,00	60 514,00	60 514,00	181 542,00
Fuel	3 027 391,21	504 200,00	504 200,00	1 512 600,00
IT Related Service Providers	7 382 458,17	543 000,00	543 000,00	1 629 000,00
Other Expenditure	4 237 927,38	1 020 000,00	1 020 000,00	3 060 000,00
Photocopiers	189 000,00	63 000,00	63 000,00	189 000,00
Own Capital Expenditure	6 600 000,00	650 000,00	573 000,00	1 198 984,00
<b>Total</b>	<b>260 219 446,77</b>	<b>48 931 523,84</b>	<b>48 447 418,78</b>	<b>146 372 240,33</b>
<b>Surplus/Deficit</b>	<b>-</b>	<b>21 084 563,50</b>	<b>423 869,65</b>	<b>241 624,96</b>

The above table reflects the YTD billing, receipts and expenditure for the past six months and the projected billing, collection and expenditure for the upcoming three months. It is clear that the municipality will continue to struggle if the collection rate is not increased.

### 3.10.1 Creditors/Trade Payables

The outstanding creditors for the period ending 31 December 2023, amounted to **R229 million**. Outstanding creditors have reflected a decrease of R4 million when compared to end of November 2023, wherein creditors were sitting at **R233 million**. Balancing of the creditors control account needs to be performed to ensure that the creditors reflected are indeed a true reflection of what the municipality owes to its creditors.

## Debtors Age Analysis

As at 31 December 2023 the debtors book increased by **R25,3 million or 2%** when compared with the debt book as at 30 November 2023. The huge increase was also influenced by the billing of the annual rates and annual connection fees, as the monthly increase is normally between **R10 to R16 million** or 1%. The increase in November and December 2023 is almost double what the debt book increases by, and this will be investigated.

**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	3 610 859,23	3 032 807,13	2 661 437,45	689 670,98	94 026,58	17 847 166,21	27 935 967,58	
Residents	29 869 868,60	218 923 061,55	20 865 619,48	20 224 553,98	17 561 274,24	637 017 401,48	944 461 779,33	
Business & Industries	5 605 273,75	19 439 562,19	2 717 843,11	1 714 753,88	-881 087,25	46 372 006,53	74 968 352,21	
Councillors	6 348,03	28 932,48	2 007,70	1 337,67	397,17	25 944,39	64 967,44	
Mun Officials	116 212,28	380 823,36	96 699,79	66 418,30	66 964,71	1 305 517,12	2 032 635,56	
TOTAL	39 208 561,89	241 805 186,71	26 343 607,53	22 696 734,81	16 841 575,45	702 568 035,73	1 049 463 702,12	
OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA								
SERVICES	CURRENT	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL	
Water	11 451 458,52	-	9 407 458,02	9 132 793,60	7 030 125,96	254 621 352,94	291 643 189,04	
Electricity	9 152 464,59	-	3 907 060,40	2 684 855,93	2 515 435,70	39 340 547,22	57 600 363,84	
Sanitation	2 715 531,56	-	1 910 869,50	1 807 022,65	1 776 340,02	77 055 938,42	85 265 702,15	
Refuse	2 048 007,61	-	1 740 614,01	1 651 050,71	1 613 237,80	53 228 724,55	60 281 634,68	
Rates	10 583 128,55	-	6 957 031,02	5 337 443,25	5 027 420,07	187 401 632,22	215 306 655,11	
Other	3 257 971,06	-	2 420 574,58	2 083 568,67	-1 120 984,10	90 919 840,38	97 560 970,59	
Combined		241 805 186,71	-	-	-	-	241 805 186,71	
TOTAL	39 208 561,89	241 805 186,71	26 343 607,53	22 696 734,81	16 841 575,45	702 568 035,73	1 049 463 702,12	
GOVERNMENT DEPARTMENTS								
DEPARTMENT	Water	Electricity	Sanitation	Refuse	Rates	Others	Combined	TOTAL
EDUCATION	374 249,45	457 445,22	-	20 944,12	-	-184 944,83	70 479,90	738 173,86
PROVINCIAL PUBLIC WORKS	39 334,05	201 689,82	2 886 804,63	11 565,73	8 724 808,43	606 735,62	1 015 531,11	13 486 469,39
NATIONAL PUBLIC WORKS	1 061 827,07	1 937 232,51	167 636,41	75 888,45	3 895 035,40	-297 273,85	956 452,36	7 796 798,35
HEALTH	470 506,23	827 994,34	-	9 179,08	-	172 217,01	31 451,77	1 511 348,43
SOCIAL DEVELOPMENT	48 564,90	64 628,03	-	1 490,46	-	17 202,53	1 285,40	133 171,32
HUMAN SETTLEMENT	-	-	-1 944,00	-	30 213,54	-61 880,79	10 365,37	-23 245,88
TRANSPORT	1 227 013,45	825 637,03	2 535,72	124 376,56	204 480,26	327 297,37	706 803,14	3 418 143,53
DRDAR	2 197,50	19 017,87	-	496,82	-	46 128,59	-	67 840,78
DRDLR	-	-	-	-	578 761,91	-	222 473,68	801 235,59
NATURE CONSERVATION	-	141 156,72	-	-	-	21 632,52	17 964,40	180 753,64
SPORTS & CULTURE	1 000,70	7 907,39	-	248,41	-	-183 877,93	-	-174 721,43
TOTAL	3 224 693,35	4 482 708,93	3 055 032,76	244 189,63	13 433 299,54	463 236,24	3 032 807,13	27 935 967,58

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 employee's debt is standing at **R2 million**, a decrease of **R500,000** compared to outstanding employee debt as at 30 June 2023. This was as a result of staff deductions that occurred in August 2023. This debt is however reducing by close to R30,000 a month as 36 months arrangements had to be made looking at the affordability of employees. 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 **R75 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. This needs to be investigated as the business debt increased by **R3 million** when compared with November 2023, where it was standing at **R72 million**.

### 3.10.2 Debt Collection Rate

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

Collection Rate - July 2023					Collection Rate - August 2023					Collection Rate - September 2023				
Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg
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 Outstanding Debtors	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
	<b>88 446 429</b>	<b>23 834 873</b>		<b>23 834 873</b>		<b>43 884 507</b>	<b>27 199 545</b>		<b>27 199 545</b>		<b>44 938 582</b>	<b>34 750 276</b>		<b>27 851 590</b>
Average calculated collection rate		<b>26.9%</b>			Average calculated collection rate		<b>62.0%</b>			Average calculated collection rate		<b>77.3%</b>		
Collection Rate - Quarter 1					Collection Rate - October 2023					Collection Rate - November 2023				
Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg
Property Rates	40 526 937	19 682 621	49	10 921 350	Property Rates	7 434 123	15 980 269	215	4 607 447	Property Rates	7 475 337	4 361 596	58	4 632 991
Electricity	39 300 910	30 634 115	78	10 590 955	Electricity	11 823 755	10 455 516	88	7 328 010	Electricity	10 065 477	9 954 205	99	6 238 282
Water Usage	27 991 351	8 189 577	29	7 543 213	Water Usage	9 501 163	1 789 214	19	5 888 537	Water Usage	9 704 292	2 081 630	21	6 014 430
Water Connection	15 589 674	4 347 663	28	4 201 163	Water Connection	3 134 386	1 302 722	42	1 942 599	Water Connection	3 140 472	960 402	31	1 946 370
Sewer Connection	18 004 146	6 133 334	34	4 851 824	Sewer Connection	2 676 388	2 689 167	100	1 658 745	Sewer Connection	2 714 909	1 257 304	46	1 682 619
Refuse Removal	6 149 848	1 612 859	26	1 657 284	Refuse Removal	2 048 411	514 576	25	1 269 544	Refuse Removal	2 046 823	520 964	25	1 268 560
Housing Rental	28 590	25 034	88	7 705	Housing Rental	9 530	7 890	83	5 907	Housing Rental	9 530	10 050	105	5 907
Leases	252 739	204 210	81	68 109	Leases	84 299	64 808	77	52 246	Leases	84 299	122 439	145	52 246
Interest Earned Outstanding Debtors	16 954 213	1 387 688	8	4 568 884	Interest Earned Outstanding Debtors	6 035 213	391 435	6	3 740 445	Interest Earned Outstanding Debtors	6 175 235	378 534	6	3 827 226
Other Revenue	12 473 110	13 567 592	109	3 361 300	Other Revenue	4 420 767	4 893 528	111	2 739 859	Other Revenue	4 157 541	2 687 986	65	2 576 720
	<b>177 271 518</b>	<b>85 784 694</b>		<b>47 771 788</b>		<b>47 168 035</b>	<b>38 089 124</b>		<b>29 233 338</b>		<b>45 573 916</b>	<b>22 335 110</b>		<b>28 245 351</b>
Average calculated collection rate		<b>48.4%</b>			Average calculated collection rate		<b>80.8%</b>			Average calculated collection rate		<b>49.0%</b>		
Collection Rate - December 2023					Collection Rate - Quarter 2					Cumulative Collection Rate - Quarter 2				
Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n%	Collection Avg
Property Rates	7 452 298	6 400 597	86	4 618 712	Property Rates	22 361 759	26 742 462	120	6 026 130	Property Rates	62 888 696	46 425 083	74	16 947 480
Electricity	9 009 636	7 626 959	85	5 583 903	Electricity	30 898 868	28 036 680	91	8 326 742	Electricity	70 199 778	58 670 795	84	18 917 697
Water Usage	11 258 154	1 485 242	13	6 977 467	Water Usage	30 463 609	5 356 086	18	8 209 447	Water Usage	58 454 959	13 545 663	23	15 752 660
Water Connection	3 151 444	787 164	25	1 953 171	Water Connection	9 426 302	3 050 288	32	2 540 235	Water Connection	25 015 976	7 397 951	30	6 741 398
Sewer Connection	2 715 795	1 118 221	41	1 683 168	Sewer Connection	8 107 091	5 064 692	62	2 184 729	Sewer Connection	26 111 237	11 198 026	43	7 036 553
Refuse Removal	2 048 536	438 855	21	1 269 621	Refuse Removal	6 143 770	1 474 395	24	1 655 646	Refuse Removal	12 293 617	3 087 254	25	3 312 930
Housing Rental	9 530	789	8	5 907	Housing Rental	28 590	18 729	66	7 705	Housing Rental	57 181	43 763	77	15 409
Leases	74 907	55 858	75	46 425	Leases	243 506	243 105	100	65 621	Leases	496 245	447 314	90	133 730
Interest Earned Outstanding Debtors	6 356 586	301 262	5	3 939 622	Interest Earned Outstanding Debtors	18 567 034	1 071 231	6	5 003 513	Interest Earned Outstanding Debtors	35 521 247	2 458 919	7	9 572 398
Other Revenue	4 241 362	2 810 752	66	2 628 669	Other Revenue	12 819 670	10 392 265	81	3 454 692	Other Revenue	25 292 780	23 959 857	95	6 815 992
	<b>46 318 247</b>	<b>21 025 698</b>		<b>28 706 665</b>		<b>139 040 198</b>	<b>81 449 931</b>		<b>37 474 459</b>		<b>316 331 716</b>	<b>167 234 625</b>		<b>85 246 248</b>
Average calculated collection rate		<b>45.4%</b>			Average calculated collection rate		<b>58.6%</b>			Average calculated collection rate		<b>52.9%</b>		

The above report reflects that the municipality collection rate at **52.9%** for the period under review which is below the acceptable collection rate according to NT standards. The collection rate is however showing an increase from month to month, meaning more efforts should be done to ensure that people that have made arrangements are honouring their arrangements and consumers are paying their accounts monthly.

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 period ending 31 December 2023. During the period under review an amount of **R2,1 million** was paid as a subsidy to indigent households as reflected in the below table.

BREAKDOWN ON FREE BASIC SERVICES ALLOCATION AS OF 31 DECEMBER 2023							
	Jul-23		Aug-23		Sep-23		
SERVICE	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	TOTAL Q1
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
<b>Total</b>		<b>R636 032,57</b>		<b>R602 889,01</b>		<b>R583 514,83</b>	<b>1 822 436,41</b>
	31-Oct		30-Nov		31-Dec		
SERVICE	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	TOTAL Q2
WATER CONNECTION	114	R25 112,55	114	R25 112,55	114	R25 112,55	R75 337,65
WATER USAGE	101	R5 555,86	101	R5 555,86	101	R5 555,86	R16 667,58
SEWER CONNECTION	117	R18 062,87	117	R18 062,87	117	R18 062,87	R54 188,61
REFUSE REMOVAL	127	R15 847,06	127	R15 847,06	127	R15 847,06	R47 541,18
ELECTRICITY(MUN)	1	R113,00	1	R113,00	1	R113,00	R339,00
ELECTRICITY (ESKOM)	325	R32 284,52	191	R18 874,03	187	R18 476,68	R69 635,23
<b>Total</b>		<b>R96 975,86</b>		<b>R83 565,37</b>		<b>R83 168,02</b>	<b>R263 709,25</b>

### 3.11 Grant Balances

Description of Grant	Amount Gazetted 2023/243	Actual Receipts 2023/24	% Revenue
National Treasury Allocation	<b>R'000</b>	<b>R'000</b>	<b>%</b>
Equitable Share	R121,975	R68,259	56%
Municipal infrastructure Grant	R28,455	R20,195	71%
Finance Management Grant	R 3,100	R3,100	100%
Water Service Infrastructure Grant	R21,947	R13,168	60%
EPWP	R 1,013	R710	70%
<b>National Treasury Grant</b>	<b>R176,490</b>	<b>R92,264</b>	<b>52%</b>
Description of Grant	Amount Gazetted 2023/24	Actual Receipts 2023/24	% Income
<b>Provincial Allocation</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>
Library Service Grant	R4 000	R4 000	100%
<b>Provincial Grant</b>	<b>R4 000</b>	<b>R4 000</b>	<b>100%</b>
<b>TOTAL GRANTS</b>	<b>R180,490</b>	<b>R96,424</b>	<b>53,4%</b>

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 **R92,3 million** or **52%** and the gazette provincial allocation of R4 million has been fully received. The total grants allocated amounted to **R180,5 million** of which **R96,4 million** or **53,4%** has been received.

### 3.12 Capital Budget Summary

The below table represents capital expenditure incurred during the period ending 31 December 2023:

EC104 MAKANA MUNICIPALITY CAPITAL EXPENDITURE 23/24 - DECEMBER 2023			
	MIG		
	2023/24 Budget	December 2023 Expenditure (YTD)	% Spent
Upgrade of Ncame Street in Joza Kingsflats in Makhanda (Grahamstown)	5 622 390,00	7 209 872	128,2%
Replacement of Ageing Asbestos pipes in Makhanda Phase 3	4 356 730,00	12 769 154	293,1%
Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda.	4 268 250,00	2 722 304	63,8%
Upgrade of Makana way Phase 1	5 224 880,00	989 521	18,9%
Fencing of Mayfield WWTW	2 000 000,00	-	0,0%
Refurbishment Waainek Water Treatment Works	2 559 800,00	315 118	12,3%
Fencing of Mayfield, Tanti, low level and intermediate reservoirs	3 000 000,00	-	0,0%
	<b>27 032 050</b>	<b>24 005 969</b>	<b>89%</b>
	WSIG		
	2023/24 Budget	December 2023 Expenditure (YTD)	% Spent
Installation of domestic smart water meters	6 000 000	-	0%
Refurbishment of Belmont Valley	15 947 000	13 975 926	88%
	<b>21 947 000</b>	<b>13 975 926</b>	<b>64%</b>
Internally Generated Funds	2023/24 Budget	December 2023 Expenditure (YTD)	% Spent
Equipment	3 804 000	-	0%
Replacement of Fleet-Vehicles	11 400 000	5 933 537	52%
Computer equipment	1 045 000	449 397	43%
Office equipment	2 150 000	-	0%
	<b>18 399 000</b>	<b>6 382 934</b>	<b>35%</b>
<b>Total Capital Budget</b>	<b>67 378 050</b>	<b>44 364 829</b>	<b>66%</b>

The above report reflects an expenditure of **R44,4 million** or **66%** expenditure for the period ending 31 December 2023. The above table reflects good performance by the municipality on capital spending as it should be sitting around 50%. MIG expenditure was at **89%** during the period under review and WSIG was at **64%**, however this expenditure has picked up in December 2023.

On WSIG Belmont is under construction and the service providers for SMART Meters has been appointed. The municipality has however seen it prudent to have a consultant that will monitor the installation of smart meters.

From own funding the municipality has made commitments and procurement of **R6,4 million** or **35%**, this was to address the availability of computers for staff and vehicles for service delivery purposes.



### 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, and the debtors, investments and borrowings data strings that were previously not reported have since been resolved during this month.

The municipality is planning to upgrade the system to the latest version to ensure full use of the system and its functionality. The conversion to the latest version of Munsoft is planned for the third quarter through the Finance Management Grant.

### 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 DECEMBER 2023

### 3.16 **RECOMMENDATION:**

#### **It is recommended that:**

- (a) The Audit Committee **considers** the contents of the section 72 report and supporting documents for the quarter ending 31 December 2023.

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**MR P.M. KATE**  
**MUNICIPAL MANAGER**