

REPORT TO: **BUDGET STEERING COMMITTEE**

File ref.....

Collaborator/Item no:

Date: 12 JULY 2024

SUBJECT: SECTION 52(d) FINANCIAL REPORTING FOR THE QUARTER ENDING 30 JUNE 2024

REPORT DATED 12 JUNE 2024 ON SECTION 52(d) REPORT FOR THE QUARTER ENDING 30 JUNE 2024 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 June 2024, 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 mayor of the municipality must report by no later than 30 days at the end of each quarter to Council, the relevant Provincial Treasury and National Treasury, a statement in the **prescribed format** on the financial performance of the municipality's financial performance.

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 quarterly to coincide with the reporting requirements of Section 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, to improve the credibility, sustainability, transparency, accuracy, and reliability of budgets and in-year reports.
- To improve the Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- To facilitate informed policy choices and decisions by Council and medium-term planning of service delivery by aligning targets to achieve backlog elimination.
- To report on budget implementation and financial state of affairs of the municipality.

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 June 2024.

Description	Adjusted Budget 2023/24	June 2024 YTD/ Actual	Percentage Expenditure/ Billed/Receipted
Operating Revenue	649 816	609 144	94%
Operating Grants	138 637	133 834	97%
Total Operating Revenue	788 453	742 978	94%
Capital Grants & Subsidies	41 171	38 384	93%
Total Revenue	829 624	781 362	94%
Operating Expenditure	764 152	473 318	62%
Capital Expenditure	62 872	46 807	74%
Total Expenditure	827 024	520 125	63%
Surplus/(Deficit)	24 301	269 660	

The above table reflects a total budgeted operating revenue of **R788,5 million** against the operating expenditure of **R764 million**, resulting in an anticipated budget surplus of **R24 million**. The capital budget is at **R62,9 million** and is mainly funded by conditional grants with **R22 million** or **35%** of our own revenue. The municipality has struggled with the implementation of debt and credit control to ensure improved revenue collection to implement capital projects that are internally funded. The amount of capital expenditure funded from internal revenues was highly dependent on the improved collection rate by the municipality.

The operating revenue performance as of 30 June 2024 was at **R743 million** or **94%** whilst the operating expenditure to date was at **R473,3 million** or **62%**. The capital expenditure as of 30 June 2024 amounted to **R46,8 million** or **74%** of the budgeted expenditure.

3.2 Operating Revenue per Category

The YTD billing/receipts for service charges, property rates and transfers and grants amounted to **R609,1 million** or **94%** and grants and subsidies at **R133,8 million** or **97%** for the period under review. The grants should reflect 100% as soon as all the expenditure for the prior year is accounted for. Services are reflecting a better performance when compared to budget due to meters that are being read for both water and electricity and readings that are monitored monthly. On revenue billed versus the budget, there is **6%** variance, which showed an improved position when compared to prior years.

Whilst the municipality is improving its billing, it needs to put more effort on revenue collection to ensure a changed or improved position on service delivery.

The revenue on interest on investments has significantly increased compared to prior years and the budget, and there might be a duplication as the municipality was changing over to post investments

through the investments register than using manual processing. This will be looked at and finalized upon the AFS preparation process. Generally, all revenue streams performed below 10% variance except for property rates, fines and licences and permits that should be looked at very closely in the new financial year to determine the reasons for the high variances that have been encountered in these revenue sources.

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

Revenue By Source	Adjusted Budget 2023/24	June 2024 YTD/ Actual	Percentage Revenue	June 2024 YTD/ Budget	June 2024 YTD/ Variance	Percentage Billed/ Receipted
	R'000	R'000	%	R'000	R'000	%
Property Rates	124 334	106 290	85%	124 334	- 18 044	-15%
Service Charges - Electricity	184 187	168 099	91%	184 187	- 16 088	-9%
Service Charges - Water	180 987	171 190	95%	180 987	- 9 797	-5%
Service Charges - Sanitation	43 479	42 305	97%	43 479	- 1 174	-3%
Service Charges – Refuse	24 578	24 533	100%	24 578	- 45	0%
Rental Equipment	216	264	122%	216	48	22%
Interest Earned - Investments	6 512	13 594	209%	6 512	7 082	109%
Interest Earned - Outstanding Services	64 317	64 640	101%	64 317	323	1%
Interest Earned - Outstanding Rates	11 294	10 961	97%	11 294	- 333	-3%
Fines	3 600	1 749	49%	3 600	- 1 851	-51%
Licences & Permits	545	28	5%	545	- 517	-95%
Agency Services	3 932	3 426	87%	3 932	- 506	-13%
Operating Grants & Subsidies	138 637	133 834	97%	138 637	- 4 803	-3%
Other Revenue	1 836	2 065	112%	1 836	229	12%
TOTAL	788 454	742 978	94%	788 454	- 45 476	-6%

The above table reflects that the municipality has currently under performed on its targeted budget as of 30 June 2024 by **R45,5 million** or **6%** and this is because of under billing in the following areas, property rates, all municipal services except refuse service, fines, licences and permits and agency services. The licenses and permits and fines that are not recognized, hence the low revenue reflected in the report. During the month of June 2024, the department of Community Services shared information relating to fines collected and those outstanding, surely upon conclusion of the AFS these items will reflect an improved picture.

3.3. Operating Expenditure per Category

Detailed Operating Expenditure per Category

The below table represents operating expenditure per category incurred as of 30 June 2024, in relation to the original budget.

Expenditure by Type	Adjusted Budget 2023/24	June 2024 YTD/ Actual	Percentage Expenditure	June 2024 YTD/ Budget	June 2024 YTD/ Variance	Percentage Expenditure
	R'000	R'000	%	R'000	R'000	%
Employee Related Costs	247 723	215 584	87%	247 723	- 32 139	-13%
Remuneration of Councillors	14 389	12 895	90%	14 389	- 1 494	-10%
Debt Impairment	121 092	306	0%	121 092	- 120 786	-100%
Depreciation & Asset Impairment	35 275	-	0%	35 275	- 35 275	-100%
Finance Charges	6 969	7 911	114%	6 969	942	14%
Bulk Purchases	183 744	148 759	81%	183 744	- 34 985	-19%
Other Materials	29 072	5 326	18%	29 072	- 23 746	-82%
Contracted Services	62 482	35 582	57%	62 482	- 26 900	-43%
Transfers & Grants	500	500	100%	500	-	0%
Other Expenditure	62 905	46 455	74%	62 905	- 16 450	-26%
TOTAL	764 151	473 318	62%	764 151	- 290 833	-38%

The above table reflects operating expenditure for the period ending 30 June 2024, which amounted to **R473,3 million** or **62%**. The year-to-date budget reflects an estimated expenditure of **R764,2 million** and therefore there is a negative variance of **R290,8 million** or **38%**.

Below are the detailed payments that were made towards employee related costs and suppliers as of 30 June 2024:

Payee / Supplier	July23	August23	Sept23	Oct23	Nov23	Dec23	Jan24	Feb24	March24	April24	May24	June24
	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)
Salary Related Costs	17 993 615	18 259 759	18 718 920	18 552 142	25 323 047	20 164 419	18 367 333	18 846 575	21 310 852	16 161 745	18 833 227	19 300 637
MIG Payments	1 634 029	4 081 253	3 702 935	5 379 000	966 965	3 719 536	1 143 349	879 625	2 037 546	307 447	2 174 319	346 937
DBSA Loan	577 202	577 202	577 202	577 202	577 202		1 152 083	549 829		1 149 962	574 881	
FMG	50 175											
WSIG funding	4 344 834		183 363	479 660		5 828 132	694 291	213 079	1 934 615	872 731	1 588 705	1 118 107
EPWP funding		101 700	223 500	296 060	167 880	339 960		171 480				
Drought funding/water deliveries/Disaster											1 928 657	5 434 863
IT / system related / computers	1 079 328	921 723	2 816 536	1 585 826	473 228	1 038 335	569 093	2 094 888	757 147	997 532	624 641	474 428
Fuel	508 981	239 639	566 229	227 962	54 230	1 177 558	294 640	306 515	340 183	233 140	146 455	258 006
Maintenance/stock items	497 678	1 441 177	664 865	1 295 166	775 309	756 122	292 085	697 865	427 157	597 222	1 823 062	1 395 199
Water chemicals/testing/water purchases	492 160	381 866	1 994 303	1 314 755	473 600	1 443 084	1 163 483	1 451 449	2 531 925	1 403 682	841 358	1 182 062
Postage: Consumer Statements	86 275	99 585		37 358	12 429	106 866	10 751		10 065	126 184		10 657
Legal fees and related payments	9 139	79 751	328 665		232 381	293 382	31 919	514 608	112 114	4 625	84 698	118 978
Telephones	48 029	48 511	48 804	49 288			48 802	98 312	47 796	47 906	48 217	47 725
Commission: VAT review/prepaid/fines	228 797	244 345	242 692	238 910			28 620	201 025	445 047			507 063
Licence cards	26 465	22 041	16 195	29 783	20 461	19 592	26 939	20 224	21 646	20 382	26 939	16 116
Refunds	67 969	74 735	73 956	60 923	52 533	9 000	37 996	115 409	21 350	44 375	58 362	68 253
Annual subscriptions and licences	1 752 363		13 497					199 285	69 000		10 255	204 150
Revco												
Advertisements	29 201	52 090	134 108	131 880		65 251	13 055		12 604	82 468	9 453	71 783
Auditor - General	459 202		730 138	926 610		1 735 098	2 072 626		234 855	102 029	873 870	230 448
Amatola Water SALGA	1 126 059	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	120 057	154 861	43 037	99 313	87 609	6 377
Security	1 401 556	115 651	72 240	693 908		1 354 850	72 240	594 911	1 460 310	72 240	705 819	816 698
Eskom	8 965 304	7 200 000	7 594 413	9 532 636	5 000 000	11 613 432	22 133 041	11 103 361	19 876 915	14 376 915	26 944 371	
Eskom small accounts	869 344	239 363	829 117	716 374	206 183	180 952	92 221	1 093 053	378 899	352 644	326 597	416 201
Eskom FBE	480 146	478 521	526 939	526 685	518 936	61	18 874		35 143	17 185	17 628	35 491
AFS	110 510		420 825	302 860								403 575
General Valuation	273 600			136 800								
DPW funded retention												
Makana Tourism								101 214	100 000		100 000	50 000
Department of Transport	469 030	756 911	517 367	1 048 279	466 352	572 783	649 329	585 479	543 947	420 803	548 797	285 759
Insurance								1 567 267		32 275	25 000	
DME/INEP funded projects					102 794	280 334						
MIG interest funded projects												
Other incl. VAT, Audit Comm, Covid-19	21 977	246 490	60 527	191 770	62 689	54 306	33 061	95 667	109 752	253 097	233 795	22 410
Landfill site	562 626		562 626	713 219	562 626	562 626	562 626	562 626	1 125 251			562 626
Own Capital Expenditure	324 832				26 220	600 000	398 979	239 275	5 221 370	591 209		1 085 692
Dept of Human Settlements		346 000		164 910				328 814	58 975	40 826	70 721	
Rental of vehicles						419 150			176 435	175 935		130 934
Total	44 532 469	36 627 911	42 341 779	45 782 645	36 767 822	53 004 628	50 027 493	42 786 696	59 443 935	38 583 872	58 707 437	34 601 174

The above amounts were paid from the sources reflected hereunder. The municipality paid **R34 million** towards employee-related costs and its suppliers for the period ending 30 June 2024. The total payments made from July 2023 to June 2024 amounted to **R543,2 million** for the financial year. This amount is more than the payments reflected in paragraph 3.3 above because of the **R69,9 million** that was paid for the arear accounts.

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

Sources of Funding	July23	August23	Sept23	Oct23	Nov23	Dec23	Jan24	Feb24	March24	April24	May24	June24
	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)
EPWP operating grant	0	101 700	223 500	296 060	167 880	339 960	0	171 480	0	0	0	0
FMG operating grant	50 175	0	0	0	0	0	0	0	0	0	0	0
DSRAC												
DoHS/ CoGTA	0	346 000	0	164 910	0	0	0	328 814	58 975	40 826	1 999 378	5 434 863
WSIG	4 344 834	0	183 363	479 660	0	5 828 132	694 291	213 079	1 934 615	872 731	1 588 705	1 118 107
DME	0	0	0	0	102 794	280 334	0	0	0	0	0	0
MIG	1 634 029	4 081 253	3 702 935	5 379 000	966 965	3 719 536	1 143 349	879 625	2 037 546	307 447	2 174 319	346 937
Capital Grant	5 978 863	4 427 254	3 886 298	6 023 570	1 069 758	9 828 002	1 837 640	1 421 519	4 031 137	1 221 004	5 762 402	6 899 907
Own Capital Expenditure	324 832	0	0	0	26 220	600 000	398 979	239 275	5 221 370	591 209	0	1 085 692
Operating budget own expenditure	38 178 599	32 098 957	38 231 981	39 463 015	35 503 964	42 236 666	47 790 874	40 954 423	50 191 429	36 771 659	52 945 035	26 615 575

The above table reflects the payment sources, and expenditure from MIG amounted to **R26,4 million**, **WSIG R17,3 million** and **EPWP R1,3 million**. From own revenue was paid for day-to-day operations and employee related costs. The WSIG amount will be updated as the current grant recon amounts to **R21,5 million**.

The above table reflects various payment sources that fund both operational and capital projects. The grant expenditure has performed well currently, and the municipality should be able to fully spend all its allocations by the end of the financial year or have a small amount requested for a roll-over for Disaster Relief Grant and possibly around R400 plus thousand for WSIG. The Belmont project is monitored weekly and payments made fortnightly to ensure contractor performance and spending for this project. The revised cash flow and catchup plan were received from the contractor, and the spending has significantly improved, but confirmation of work done needs to match expenditure.

3.4 Payment Plans

The municipality is up to date with all its payment plans except for the Eskom and DWS Bulk Accounts.

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SUPPLIER	DESCRIPTION	TOTAL AMOUNT OWED	AMOUNT PAID	BALANCE
Eskom as per debt relief agreement	Bulk Account	R79,182,121.22	R34,244,292.34	R44,937,828.88
DBSA	20 Year loan	R 56 358 399	R 182,804.89	R45,248,292.86
DEPT. WATER & SANITATION	Purchase of Raw Water.	R71,225,330	R 974,831	R54,280,205.00

The amounts reflected above is for the arrear account and not the monthly account as the municipality is trying to ensure that the arranged amounts and the current account are settled monthly, under the difficult circumstances of revenue collection. The municipality was approved for Eskom Debt Relief by National and Provincial Treasury effectively from 01 November 2023 and is currently servicing current and arrear debt balances. The municipality could not pay **R6,6 million** that was due to Eskom on 31 May 2024, and

could not service the June account due to cash flow challenges experienced by the municipality. The municipality will need to catch up with these arrears to avoid being disqualified on the debt relief programme. The cash flow of the municipality was not looking good during the financial year, and this has hampered the servicing of outstanding debt for both Eskom and DWS. The outstanding May 2024 account was paid in July 2024, and plans are made to pay May and June 2024 accounts so that the municipality is up to date with Eskom arrangement.

A request was made with the department to review the DWS payment plan so that the municipality can arrange an amount that it will be able honor for this account going forward.

The municipality is however not meeting the collection rate condition and debt collection measures are improved monthly, to ensure improvement in the collection rate and adhere to the provisions of the Eskom Debt Relief. The cash flow of the municipality remains a challenge until the collection rate is improved and arrear creditors are fully paid. The municipality is servicing its creditors monthly and the two (2) major creditors that need attention is Eskom and DWS Bulk Accounts.

There is however a challenge where some invoices are received by user departments and take time to get to finance for processing.

3.5 Employee Related Costs

The total employee-related expenditure, including overtime, is within the budgetary limits. Though departments are advising us to have reduced on overtime, these efforts are not reflected in monetary terms and overtime continues to consume on average **R1 million** every month. Expenditure on overtime in December 2023 amounted to **R1 million**, for January 2024 it increased further to **R1,242,928.51**. In February it dropped slightly to **R1,079,647.15**. In March, the overtime amounted to **R1 057 793,36**. In April the overtime jumped to **R1,172,311.75** and remained almost the same in May – **R1,172,835.01**. In June, it increased again to **R1,180,901.38**.

The total salary cost, including 3rd party payments for the financial year, month ending 30 June 2024 as reported in terms of section 66 of the MFMA amounted to **R 18,892,752.40**. The total salary cost, including 3rd party payments for the period ending 30 June 2024 as reported in terms of section 66 of the MFMA amounted to **R215, 6 million** and Councillors Allowances **R12,9 million** for the financial year ending 30 June 2024.

The employee-related costs translate to **87%** of the budgeted employee related costs and **28%** of the operating expenditure. The overall actual expenditure for cost of employment (employee related cost and councillor's) for 2023/24 amounts to **30%** of the total budgeted expenditure.

The expenditure to date on employee related costs to date is above 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	R8 976,84	26/08/2019	DECEASED
733	ZONO BONIWE	R89 738,88	30 SEPTEMBER 2023	PENSIONED
1592	ABRAHAMS JULIA NONTSOKOLO	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	BRUINTJIES HERBERT LIONEL	28 073,28	2023/11/30	MEDICAL BOARD
1508	MADINDA, ND	53 078,17	2023/12/31	PENSIONED
1062	MGCONGCO, MN	25 794,53	2023/12/31	PENSIONED
1226	NONGWE, NM	54 885,40	2023/12/31	PENSIONED
469	SAKI TANDO DAVID	1 029,92	2024/01/31	PENSIONED
1090	CAGWE-MRAJI PHUMLA PATRICIA	7 865,39	2024/02/29	RESIGNED
1407	SIQWEDE NTOMBIZANELE ARETHA	1 178,96	2024/02/29	RESIGNED
1223	NGINDANA, ZANDISILE JEFFREY	8 976,74		DECEASED
1340	MCUBA, ZOLEKA	39 132,01	2024/03/31	MEDICAL BOARD
1505	RALO, MISILE	7 505,45		DECEASED
INT-034	VELLEM, BULELWA	6481.73	2024/03/31	CONTRACT EXPIRED
INT-036	DUKASHE, THULISA	779.33	2024/03/31	CONTRACT EXPIRED
INT-42	MFENGU, AVUYILE	4336.99	2024/03/31	CONTRACT EXPIRED

There was no leave payout for the month of April and May 2024. The total leave payout for the period under review amounted to **R1,280,337**. 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. The leave payout remains at 48 days irrespective of the number of days the employee has. If days are lesser than 48, those days are paid in full.

Employees should however be encouraged to keep their leave days minimal as this has a negative impact on the cash flow of the municipality and related service delivery expectations by municipal communities. The department of Corporate Services will be implementing a new system for leave management and the

success of this system will however depend on the cooperation and use of the system by user departments.

3.7 Employee Related Costs – Overtime

As per the Annexure attached elsewhere in this report, the overtime paid out for the period ending 31 May 2024 amounted to **R11,8 million** and this is inclusive of shift overtime – Refer **Annexure “1”** for details. Overtime continues to consume over **R1 million** monthly in the financially strained municipality.

3.8. Fruitless & Wasteful Expenditure as of 31 May 2024

The municipality incurred R102,62 fruitless and wasteful expenditure during the month ending 30 June 2024. During the period ending 30 June 2024 interest recognized remained at **R10,8 million**. This would however be again recognized as revenue after **R11,8 million** interest written off by Eskom during the month of March 2024 and **R9,8 million** interest written off by Amatola Water during the month of February 2024.

It should further be noted that ALL the interest recognized during June 2024, related to Eskom Small Accounts. The municipality is currently engaging Eskom in an attempt to reverse the said interest, however there is no much response from Eskom on the matter. The Eskom statements clearly indicate that the invoice was paid before the due date – sometimes a week before – yet their system still charges interest. The municipality has taken a stance to not pay such interest and expect Eskom to reverse that, Refer Annexure “2” for details.

3.9 Unauthorized Expenditure

In terms of section 32 of the MFMA, 'unauthorized expenditure' may only be authorized (condoned) by the municipal council in an adjustments budget. There are no votes that have been overspent to date except for misallocations 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 **R4,2 million** for the main account and **R20,4 million** for investments including **R11,2 million** relating to the Human Settlements Grant as of 30 June 2024.

3.10.1 Creditors/Trade Payables

The total outstanding creditors for the period ending 31 May 2024 amounted to **R205,6 million**, an increase of **R12,6 million** or **6,5%** when compared to May 2024 reporting and an increase of **R11,3 million** or **5,8%** when compared to the previous quarter.

The municipality issued an advert to creditors in July 2023 and in June 2024, for creditors that appear on the creditors age analysis where the municipality has not received statements for these accounts or demand for outstanding debt. These amounts will be brought to Council committees before the write off is tabled to Council, so that the creditors age analysis can be a true reflection of what the municipality owes to its suppliers.

3.10.2 Debtors Age Analysis

As of 30 June 2024, the debtors book stands at **R1.1 billion**, increased by **R26,1 million** or **2%** when compared with the debt book as of 31 May 2024. The overall debt book for the quarter increased by **R62,6 million** or **6%** when compared to the debt book in March 2024.

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	1 678 887.32	2 764 521.82	1 437 279.63	-145 937.96	634 735.89	8 343 279.40	14 712 766.10	
Residents	34 305 253.69	252 936 762.32	26 271 011.32	19 670 510.10	22 901 924.70	734 997 126.85	1 091 082 588.98	
Business & Industries	5 617 261.95	21 762 802.98	2 318 861.85	1 684 978.25	1 837 227.11	51 896 556.93	85 117 689.07	
Councillors	4 612.70	32 559.71	1 210.10	2 146.56	1 319.09	25 991.20	67 839.36	
Mun Officials	195 633.31	375 010.22	137 957.39	107 210.91	103 890.32	1 131 172.28	2 050 874.43	
TOTAL	41 801 648.97	277 871 657.05	30 166 320.29	21 318 907.86	25 479 097.11	796 394 126.66	1 193 031 757.94	
OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA								
SERVICES	CURRENT	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL	
Water	12 336 224.30	-	13 432 439.09	8 559 512.61	12 233 816.25	304 353 357.34	350 915 349.59	
Electricity	10 816 501.21	-	3 568 579.42	2 011 246.26	2 016 785.31	44 776 346.86	63 189 459.06	
Sanitation	2 721 945.94	-	1 937 555.05	1 822 757.22	1 769 875.06	82 493 316.27	90 745 449.54	
Refuse	2 439 729.77	-	1 753 366.20	1 663 027.65	1 631 642.84	61 508 740.98	68 996 507.44	
Rates	10 462 842.38	-	6 595 891.96	5 434 303.97	5 040 703.26	200 244 653.14	227 778 394.71	
Other	3 024 405.37	0	2 878 488.57	1 828 060.15	2 786 274.39	103 017 712.07	113 534 940.55	
Combined		277 871 657.05	-	-	-	-	277 871 657.05	
TOTAL	41 801 648.97	277 871 657.05	30 166 320.29	21 318 907.86	25 479 097.11	796 394 126.66	1 193 031 757.94	
GOVERNMENT DEPARTMENTS								
DEPARTMENT	Water	Electricity	Sanitation	Refuse	Rates	Others	Combined	TOTAL
EDUCATION	-134 793.77	430 433.70	-	21 757.59	-	-312 905.66	79 654.72	84 146.58
PROVINCIAL PUBLIC WORKS	22 178.68	97 713.74	557 838.01	10 239.67	1 613 002.86	136 657.73	479 983.76	2 917 614.45
NATIONAL PUBLIC WORKS	1 749 069.70	2 170 923.28	81 491.96	88 800.08	3 084 597.89	-307 426.03	1 162 947.25	8 030 404.13
HEALTH	-793 397.04	7 287.97	-	550 213.50	-	-432 976.24	24 599.28	-644 272.53
SOCIAL DEVELOPMENT	16 188.30	15 812.23	-	496.82	-	4 871.61	-	37 368.96
HUMAN SETTLEMENT	-	-1 944.00	-	-	32 393.70	-51 460.71	12 276.43	-8 734.58
TRANSPORT	1 306 268.01	717 663.05	2 952.48	130 899.92	223 213.22	324 591.08	768 682.97	3 474 270.73
DRDAR	2 197.50	16 998.38	-	496.82	-	45 825.67	-	65 518.37
DRDLR	-	-	-	-	481 511.88	-	209 596.99	691 108.87
NATURE CONSERVATION	-	162 258.45	-	-	-	24 706.01	26 780.42	213 744.88
SPORTS & CULTURE	1 000.70	14 299.81	-	248.41	-	-163 952.68	-	-148 403.76
TOTAL	2 168 712.08	3 631 446.61	642 282.45	803 152.81	5 434 719.55	-732 069.22	2 764 521.82	14 712 766.10

The government department's debt remained stagnant when compared to the previous month but decreased by **R10 million** or 41% when compared to March 2024. The business debt increased by **R3,6 million** or **4%** when compared to the previous quarter. Business debt increased by 1% when compared to the previous month.

The employees' debt stands at **R2,1 million**, and has increased by **R152,524** or **8%** when compared to the previous quarter. This was because of staff deductions that occurred in August 2023. The councillor debt is also increasing as the affected Councillor has not arranged to date and the matter was escalated to the MM's and Speakers office.

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 because of estimates readings that were used to bill some consumers for several years.

Debt Collection Rate

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

Collection Rate - January 2024					Collection Rate - February 2024					Collection Rate - March 2024				
Description	Debtors Billing	Actual Receipts	Collection% Indv	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection n% Indv	Collection Avg	Description	Debtors Billing	Actual Receipts	Collectio n% Indv	Collection Avg
Property Rates	7 479 952	9 517 860	127	4 744 100	Property Rates	7 440 019	5 063 658	68	3 079 387	Property Rates	6 899 645	5 417 757	79	3 323 857
Prepaid Ecricity	-	3 326 323	-	-	Prepaid Electricity	-	3 082 805	-	-	Prepaid Electricity	-	3 086 882	-	-
Electricity	8 481 312	7 633 768	90	5 379 205	Electricity	8 175 041	6 142 851	75	3 383 609	Electricity	9 005 374	6 552 034	73	4 338 277
Water Usage	10 725 280	1 683 775	16	6 802 424	Water Usage	17 129 576	1 564 818	9	7 089 848	Water Usage	12 218 565	1 936 312	16	5 886 210
Water Connection	3 163 992	1 036 297	33	2 006 479	Water Connection	3 031 556	863 337	28	1 254 746	Water Connection	3 124 089	806 078	26	1 505 038
Sewer Connection	2 717 011	1 767 577	65	1 723 243	Sewer Connection	2 619 151	1 197 121	46	1 084 054	Sewer Connection	2 701 585	1 262 122	47	1 301 470
Refuse Removal	2 048 660	523 097	26	1 299 347	Refuse Removal	2 002 703	493 048	25	828 909	Refuse Removal	2 048 537	476 938	23	986 869
Housing Rental	9 530	7 718	81	6 044	Housing Rental	9 530	15 556	163	3 944	Housing Rental	9 530	8 241	86	4 591
Leases	107 509	100 174	93	68 187	Leases	88 639	15 080	17	36 687	Leases	88 639	30 214	34	42 701
Interest Earned Outstanding Debtors	6 462 865	351 159	5	4 099 021	Interest Earned Outstanding Debtors	6 388 553	310 355	5	2 644 191	Interest Earned Outstanding Debtors	6 568 911	292 324	4	3 164 528
Other Revenue	4 181 816	2 832 785	68	2 652 284	Other Revenue	5 073 192	2 756 519	54	2 099 770	Other Revenue	4 426 511	2 817 050	64	2 132 441
	45 377 838	28 780 533		28 780 533		51 957 961	21 505 147		21 505 147		47 091 387	22 685 952		22 685 952
Average calculated collection rate			63.4%		Average calculated collection rate			41.4%		Average calculated collection rate			48.2%	

Collection Rate - 3rd Quater 2024				
Description	Debtors Billing	Actual Receipts	Collection n% Indv	Collection Avg
Property Rates	21 819 616	19 999 274	92	13 838 918
Prepaid Ecricity	-	9 496 009	-	-
Electricity	25 661 727	20 328 653	79	16 275 746
Water Usage	40 073 421	5 184 905	13	25 416 249
Water Connection	9 319 547	2 705 712	29	5 910 848
Sewer Connection	8 037 748	4 226 820	53	5 097 878
Refuse Removal	6 099 901	1 493 083	24	3 868 813
Housing Rental	28 590	31 516	110	18 133
Leases	284 787	145 468	51	180 624
Interest Earned Outstanding Debtors	19 420 330	953 838	5	12 317 190
Other Revenue	13 681 519	8 406 353	61	8 677 395
	144 427 186	72 971 632		91 601 795
Average calculated collection rate			50.5%	

Collection Rate - March 2024					Collection Rate - April 2024					Collection Rate - May 2024				
Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg
Property Rates	7 440 019	5 063 658	68	3 384 178	Property Rates	6 899 645	5 417 757	79	3 323 857	Property Rates	7 226 723	5 474 707	76	6 080 450
Prepaid Electricity	-	3 326 323	-	-	Prepaid Electricity	-	3 082 805	-	-	Prepaid Electricity	-	3 786 138	-	-
Electricity	8 175 041	6 142 851	75	3 398 270	Electricity	9 005 374	6 552 034	73	4 338 277	Electricity	10 519 318	7 197 200	76	8 880 743
Water Usage	17 129 576	1 564 818	9	8 250 055	Water Usage	12 218 565	1 936 312	16	5 886 210	Water Usage	11 588 410	2 527 623	22	9 725 183
Water Connection	3 031 556	863 337	28	1 460 431	Water Connection	3 124 089	806 078	26	1 505 038	Water Connection	3 181 741	937 140	29	2 641 789
Sewer Connection	2 619 151	1 197 121	46	1 261 758	Sewer Connection	2 701 585	1 262 122	47	1 301 470	Sewer Connection	2 485 090	1 105 842	44	2 267 771
Refuse Removal	2 002 703	493 048	25	964 789	Refuse Removal	2 048 537	476 938	23	986 869	Refuse Removal	2 046 541	568 711	28	1 721 800
Housing Rental	9 530	15 556	163	4 091	Housing Rental	9 530	8 241	86	4 591	Housing Rental	9 530	7 521	79	6 018
Leases	88 639	15 080	17	42 701	Leases	88 639	30 214	34	42 701	Leases	89 513	83 159	120	58 487
Interest Earned Outstanding Debtors	6 388 553	310 355	5	3 077 642	Interest Earned Outstanding Debtors	6 568 911	292 324	4	3 164 528	Interest Earned Outstanding Debtors	6 892 793	441 673	4	3 799 498
Other Revenue	5 073 192	2 756 519	54	2 443 976	Other Revenue	4 426 511	2 817 050	64	2 132 441	Other Revenue	4 535 551	3 264 544	72	3 181 920
	51 957 961	21 505 147		25 030 381		47 091 387	22 685 952		22 685 952		46 433 422	26 387 046		40 995 280
Average calculated collection rate			41.4%		Average calculated collection rate			48.2%		Average calculated collection rate			54.1%	

Collection Rate - June 2024					Collection Rate - 4th Quarter				
Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg
Property Rates	7 211 594	5 503 998	76	6 067 691	Property Rates	21 675 212	18 477 827	85	18 237 089
Prepaid Electricity	-	3 633 127	-	-	Prepaid Electricity	-	11 358 947	-	-
Electricity	11 079 749	8 785 024	79	9 322 279	Electricity	30 743 655	25 379 708	83	25 867 095
Water Usage	11 427 313	1 995 390	17	9 614 712	Water Usage	28 955 432	7 491 631	26	24 362 520
Water Connection	3 152 370	860 206	27	2 652 341	Water Connection	9 455 362	3 095 702	33	7 955 552
Sewer Connection	2 719 819	1 260 237	46	2 288 401	Sewer Connection	8 123 980	5 655 239	70	6 835 354
Refuse Removal	2 048 414	525 090	26	1 723 495	Refuse Removal	6 139 065	1 678 375	27	5 165 286
Housing Rental	9 530	8 470	89	8 018	Housing Rental	28 590	24 408	85	24 055
Leases	85 424	79 685	93	71 874	Leases	39 731	326 474	822	33 429
Interest Earned Outstanding Debtors	6 910 429	435 971	6	5 814 296	Interest Earned Outstanding Debtors	20 659 380	2 203 532	11	17 382 388
Other Revenue	4 620 110	3 687 782	80	3 887 268	Other Revenue	12 601 641	11 472 654	91	10 602 768
	49 264 752	26 774 980		41 450 375		138 422 047	87 164 497		116 465 536
Average calculated collection rate			54.3%		Average calculated collection rate			63.0%	

The above report reflects that the municipality collection rate for the quarter ending March 2024 was **50,5%** and for the quarter ending June 2024 was **63%**. The collection rate has increased by **R14,2 million** or **13%** when compared to the previous quarter. The collection rate for June 2024 has not reached the budgeted collection rate of 80% though and still below the National Treasury norm, it has however gone up when compared to the last quarter ending March 2024 and when compared to May 2024.

The low average 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 in all the services including property rates.

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 June 2024. During the quarter under review an amount of **R248,697** was paid as a subsidy to indigent households.

The total subsidy for the year amounts to **R2,6 million**.

BREAKDOWN ON FREE BASIC SERVICES ALLOCATION AS OF 30 JUNE 2024							
		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
Total		R636 032.57		R602 889.01		R583 514.83	1 822 436.41
		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
Total		R96 975.86		R83 565.37		R83 168.02	R263 709.25
		31-Jan		29-Feb		31-Mar	
SERVICE	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	TOTAL Q3
WATER CONNECTION	114	25 112.55	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)	184	18 178.67	174	R17 185.30	176	R17 383.98	R52 747.95
Total		R82,870.01		R81 876.64		R82 075.32	R246 821.97
		30-Apr		31-May		30-Jun	
SERVICE	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	TOTAL Q4
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	100	R5 784.59	R16 896.31
SEWER CONNECTION	116	R17 875.69	116	R17 875.69	116	R17 875.69	R53 627.07
REFUSE REMOVAL	126	R15 722.28	126	R15 722.28	126	R15 722.28	R47 166.84
ELECTRICITY(MUN)	1	R113.00	1	R113.00	1	R113.00	R339.00
ELECTRICITY (ESKOM)	185	R18 377.35	185	R18 377.35	188	R18 576.02	R55 330.72
Total		R82 756.73		R82 756.73		R83 184.13	R248 697.59

3.11 Grant Balances

Description of Grant	Amount Gazetted 2023/24	Actual Receipts 2023/24	% Revenue
National Treasury Allocation	R'000	R'000	%
Equitable Share	R127,657	R127,657	100%
Municipal infrastructure Grant	R26,552	R26,552	100%
Finance Management Grant	R 3,100	R3,100	100%
Water Service Infrastructure Grant	R21,947	R21,947	100%
EPWP	R 1,013	R1,013	100%
National Treasury Grant	R174,587	R174,587	100%
Description of Grant	Amount Gazetted 2023/24	Actual Receipts 2023/24	% Income
Provincial Allocation	R'000	R'000	%
Library Service Grant	R4 000	R4 000	100%
Provincial Grant	R4 000	R4 000	%
TOTAL GRANTS	R178,587	R178,587	100%

The municipality has been allocated **R174,6 million** by national government and **R4 million** by provincial government. Total receipts received to date from national gazetted allocation amount to **R174,6 million** or **100%**, and from provincial gazette amounts, **R4m** or **100%**. The total grants allocated amounted to **R178,6 million** of which the full amount has been received as of 30 June 2024.

3.12 Capital Budget Summary

The below table represents capital expenditure incurred during the period ending 30 June 2024:

EC104 MAKANA MUNICIPALITY CAPITAL EXPENDITURE 23/24 - JUNE 2024			
	MIG		
	2023/24 Budget	June 2024 Expenditure (YTD)	% Spent
Upgrade of Ncame Street in Joza Kingsflats in Makhanda (Grahamstown)	7 424 427.00	7 424 427	100.0%
Replacement of Ageing Asbestos pipes in Makhanda Phase 3	13 722 702.00	13 722 702	100.0%
Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda.	2 722 304.00	2 722 304	100.0%
Upgrade of Makana way Phase 1	989 521.00	989 521	100.0%
Fencing of Mayfield WWTW	-	-	
Refurbishment Waainek Water Treatment Works	365 446.00	365 446	100.0%
Fencing of Mayfield, Tanti, low level and intermediate reservoirs	-	-	
	25 224 400	25 224 400	100%
	WSIG		
	2023/24 Adjusted Budget	May 2024 Expenditure (YTD)	% Spent
Installation of domestic smart water meters	-	-	
Refurbishment of Belmont Valley	21 947 000	21 499 091	98%
	21 947 000	21 499 091	98%
	2023/24 Budget	May 2024 Expenditure (YTD)	% Spent
Internally Generated Funds			
Upgrade of Ncame Street in Joza Kingsflats in Makhanda (Grahamstown)	1 800 000	1 833 426.00	102%
Equipment	5 401 000	-	0%
Replacement of Fleet-Vehicles	10 710 000	6 530 537	61%
Computer equipment	1 070 000	1 041 397	97%
Office equipment	1 900 000	-	0%
	20 881 000	9 405 360	45%
Total Capital Budget	68 052 400	56 128 852	82%

The above report reflects an expenditure of **R56,1 million** or **82%** expenditure for the period ending 30 June 2024. The above table reflects underperformance by the municipality on capital spending as it should be sitting at around 90%. This is owing to the internal funded capital expenditure which is not feasible until municipal revenue improves. MIG expenditure was at 100% at the end of the period whilst WSIG was at 98%, still awaiting the final certificate for 30 June 2024 to account for 100% on WSIG. 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.

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. Investments, borrowings, debtors and creditors data strings are also uploaded, by the municipality.

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 JUNE 2024

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 period ending 30 June 2024.



MR P.M. KATE
MUNICIPAL MANAGER