

REPORT TO: **BUDGET STEERING COMMITTEE**

File ref.....

Collaborator/Item no:

**Date: 12 January 2024**

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**SUBJECT: SECTION 52(d) FINANCIAL REPORTING FOR THE QUARTER ENDING 31 DECEMBER 2023**

**REPORT DATED 12 JANUARY 2024 ON SECTION 71 REPORT FOR THE QUARTER ENDING 31 DECEMBER 2023 FROM THE MUNICIPAL MANAGER TO THE BUDGET STEERING COMMITTEE**

## **1. PURPOSE**

To submit for approval the financial performance of Makana Local Municipality for the quarter ending 31 December 2023, as required in terms of s52(d) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

## **2. EXECUTIVE SUMMARY**

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

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

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

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

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

## **3. DISCUSSION**

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

### 3.1 Operating Budget

The following table represents an executive summary of revenue and expenditure for the quarter ending 31 December 2023.

| Description                    | Original Budget<br>2023/24 | December 2023<br>YTD/ Actual | Percentage<br>Expenditure/<br>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.

### 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<br>2023/24 | December<br>2023 YTD/<br>Actual | Percentage<br>Revenue | December<br>2023 YTD/<br>Budget | December<br>2023 YTD/<br>Variance | Percentage<br>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>                      |

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<br>2023/24 | December<br>2023 YTD/<br>Actual | Percentage<br>Expenditure | December<br>2023 YTD/<br>Budget | December<br>2023 YTD/<br>Variance | Percentage<br>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%**.

**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 )      |
| <b>EPWP operating grant</b>      | <b>0</b>         | <b>101 700</b>   | <b>223 500</b> | <b>296 060</b>   | <b>167 880</b>   | <b>339 960</b>   |
| <b>FMG operating grant</b>       | <b>50 175</b>    | <b>0</b>         | <b>420 825</b> | <b>302 860</b>   | <b>0</b>         | <b>0</b>         |
| <i>WSIG</i>                      | <i>4 344 834</i> | <i>0</i>         | <i>183 363</i> | <i>479 660</i>   | <i>0</i>         | <i>5 828 132</i> |
| <i>DME/DHS</i>                   | <i>0</i>         | <i>346 000</i>   | <i>0</i>       | <i>164 910</i>   | <i>102 794</i>   | <i>280 334</i>   |
| <i>MIG</i>                       | <i>1 634 029</i> | <i>4 081 253</i> | <i>0</i>       | <i>5 379 000</i> | <i>966 965</i>   | <i>3 719 536</i> |
| <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 | Rnil (excl R9m interest) which Amatola Water has taken to its board for write off consideration |
|---------------|---------------------|--------------|---------------|---|

With the poor collection rate the municipality is struggling to meet the Eskom and DWS arrangements, however it is trying to keep up to date with the monthly accounts. The amount reflected above is for the arrear account and not the monthly account as the municipality is trying to ensure that the arrangement amount and the current account is settled monthly, under the difficult circumstances of revenue collection. The municipality has submitted the application for Eskom Debt Relief by 30 September 2023 and the application is currently considered by National and Provincial Treasury. 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<br>JEFFREY | R8 976,84         | 26/08/2019             | DECEASED            |
| 733           | ZONO BONIWE                   | R89 738,88        | 30 SEPTEMBER<br>2023   | PENSIONED           |
| 1592          | ABRAHAMS JULIA<br>NONTSOKOLO  | R13 760,69        | 30 SEPTEMBER<br>2023   | PENSIONED           |
| DIR002        | MAKGOKA KELELLO               | R27 436,71        | 30 SEPTEMBER<br>2023   | CONTRACT<br>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       |

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.

#### **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            |                      |
| <b>TOTAL</b>  | <b>39 208 561,89</b> | <b>241 805 186,71</b> | <b>26 343 607,53</b> | <b>22 696 734,81</b> | <b>16 841 575,45</b> | <b>702 568 035,73</b> | <b>1 049 463 702,12</b> |                      |
| 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          |                      |
| <b>TOTAL</b>  | <b>39 208 561,89</b> | <b>241 805 186,71</b> | <b>26 343 607,53</b> | <b>22 696 734,81</b> | <b>16 841 575,45</b> | <b>702 568 035,73</b> | <b>1 049 463 702,12</b> |                      |
| 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          |
| <b>TOTAL</b>  | <b>3 224 693,35</b>  | <b>4 482 708,93</b>   | <b>3 055 032,76</b>  | <b>244 189,63</b>    | <b>13 433 299,54</b> | <b>463 236,24</b>     | <b>3 032 807,13</b>     | <b>27 935 967,58</b> |

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<br>Budget | December 2023<br>Expenditure<br>(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<br>Budget | December 2023<br>Expenditure<br>(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<br>Budget | December 2023<br>Expenditure<br>(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 Budget Steering Committee **approves** the contents of the section 52(d) report and supporting documents for the quarter ending 31 December 2023.



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