

REPORT TO: **MAYORAL COMMITTEE**

File ref.....

Collaborator/Item no:

Date: 12 APRIL 2024

SUBJECT: SECTION 52 (d) FINANCIAL REPORTING FOR THE QUARTER ENDING 31 MARCH 2024

REPORT DATED 12 APRIL 2024 ON SECTION 52(d) REPORT FOR THE QUARTER ENDING 31 MARCH 2024 FROM THE MUNICIPAL MANAGER TO THE MAYORAL COMMITTEE

1. PURPOSE

To submit for approval the financial performance of Makana Local Municipality for the month ending 31 March 2024, as required in terms of section 71 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, 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 month ending 31 March 2024.

Description	Adjusted Budget 2023/24	March 2024 YTD/ Actual	Percentage Expenditure/ Billed/Receipted
Operating Revenue	649 816	456 701	70%
Operating Grants	138 637	130 228	94%
Total Operating Revenue	788 453	586 929	74%
Capital Grants & Subsidies	40 805	33 283	82%
Total Revenue	829 258	620 212	75%
Operating Expenditure	764 152	349 810	46%
Capital Expenditure	62 872	40 164	64%
Total Expenditure	827 024	389 974	47%
Surplus/(Deficit)	24 301	237 119	

The above table reflects a total budgeted operating revenue of **R788,5 million** against the operating expenditure of **R764 million**, resulting to 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. If revenue collection can increase the implementation of the budget can be a success. The amount of capital expenditure funded from internal revenues is highly dependent on the collection rate by the municipality.

The operating revenue performance as of 31 March 2024 was at **R586,9 million** or **74%** whilst the operating expenditure to date was at **R349,8 million** or **46%**. The capital expenditure as of 31 March 2024 amounted to **R40,2 million** or **64%** 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 **R456,7 million** or **70%** and grants and subsidies at **R130 million** or **94%** for the period under review. The grants reflect a higher percentage due to the equitable share that is received in three (3) tranches for the full financial year. Services are reflecting a better performance when compared to budget due to meters that are being read for both water and electricity. The revenue on interest on investments will increase upon recognition of the interest earned in prior periods that has not been recognized.

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

Revenue By Source	Adjusted Budget 2023/24	March 2024 YTD/ Actual	Percentage Revenue	March 2024 YTD/ Budget	March 2024 YTD/ Variance	Percentage Billed/Receipted
	R'000	R'000	%	R'000	R'000	%
Property Rates	124 334	84 652	68%	90 201	- 5 549	-6%
Service Charges - Electricity	184 187	125 893	68%	130 805	- 4 912	-4%
Service Charges - Water	180 987	132 799	73%	137 446	- 4 647	-3%
Service Charges - Sanitation	43 479	34 165	79%	31 149	3 016	10%
Service Charges – Refuse	24 578	18 394	75%	13 920	4 474	32%
Rental Equipment	216	194	90%	178	16	9%
Interest Earned - Investments	6 512	366	6%	3 528	- 3 162	-90%
Interest Earned - Outstanding Services	64 317	46 717	73%	48 238	- 1 521	-3%
Interest Earned - Outstanding Rates	11 294	8 225	73%	8 471	- 246	-3%
Fines	3 600	982	27%	1 800	- 818	-45%
Licences & Permits	545	6	1%	318	- 312	-98%
Agency Services	3 932	2 571	65%	409	2 162	529%
Operating Grants & Subsidies	138 637	130 228	94%	97 282	32 946	34%
Other Revenue	1 836	1 737	95%	363	1 374	379%
TOTAL	788 454	586 929	74%	564 107	22 822	4%

The above table reflects that the municipality has currently over performed on its targeted budget as of 31 March 2024 by **R22,8 million** or **4%** and this is because of improved meter reading to services, like electricity, water, and sanitation. An analysis needs to be made on these services with the assistance of 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.

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

3.3. Operating Expenditure per Category

Detailed Operating Expenditure per Category

The below table represents operating expenditure per category incurred as of 31 March 2024, in relation to the original budget.

Expenditure by Type	Adjusted Budget 2023/24	March 2024 YTD/ Actual	Percentage Expenditure	March 2024 YTD/ Budget	March 2024 YTD/ Variance	Percentage Expenditure
	R'000	R'000	%	R'000	R'000	%
Employee Related Costs	247 723	158 781	64%	185 812	- 27 031	-15%
Remuneration of Councillors	14 389	9 795	68%	10 792	- 997	-9%
Debt Impairment	121 092	276	0%	90 819	- 90 543	-100%
Depreciation & Asset Impairment	35 275	-	0%	26 456	- 26 456	-100%
Finance Charges	6 969	3 853	55%	5 227	- 1 374	-26%
Bulk Purchases	183 744	106 433	58%	137 808	- 31 375	-23%
Other Materials	29 072	3 510	12%	11 276	- 7 766	-69%
Contracted Services	62 482	27 503	44%	33 917	- 6 414	-19%
Transfers & Grants	500	201	40%	252	- 51	-20%
Other Expenditure	62 905	39 457	63%	35 268	4 189	12%
TOTAL	764 151	349 809	46%	537 627	- 187 818	-35%

The table above reflects operating expenditure for the period ending 31 March 2024, which amounted to **R349,8 million** or **46%**. The year-to-date budget reflects an estimated expenditure of **R537,6 million** and therefore there is a negative variance of **R187,8 million** or **35%**.

Below are the detailed payments that were made towards employee related costs and suppliers as of 31 March 2024:

Payee / Supplier	July 23	August 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	March 24
	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	9 362 166	21 310 852
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
DBSA Loan	577 202	577 202	577 202	577 202	577 202		1 152 083	549 829	
FMG	50 175								
WSIG funding	4 344 834		183 363	479 660		5 828 132	694 291	213 079	1 934 615
EPWP funding		101 700	223 500	296 060	167 880	339 960		171 480	
IT / system related / computers	1 079 328	921 723	2 816 536	1 585 826	473 228	1 038 335	569 093	2 013 481	757 147
Fuel	508 981	239 639	566 229	227 962	54 230	1 177 558	294 640	306 515	340 183
Maintenance/stock items	497 678	1 441 177	664 865	1 295 166	775 309	756 122	292 085	563 963	427 157
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
Postage: Consumer Statements	86 275	99 585		37 358	12 429	106 866	10 751		10 065
Legal fees and related payments	9 139	79 751	328 665		232 381	293 382	31 919	514 608	112 114
Telephones	48 029	48 511	48 804	49 288			48 802	48 217	47 796
Commission: VAT review/prepaid/fines	228 797	244 345	242 692	238 910			28 620		445 047
Licence cards	26 465	22 041	16 195	29 783	20 461	19 592	26 939	20 224	21 646
Refunds	67 969	74 735	73 956	60 923	52 533	9 000	37 996	115 409	21 350
Annual subscriptions and licences	1 752 363		13 497					199 285	69 000
Advertisements	29 201	52 090	134 108	131 880		65 251	13 055		12 604
Auditor - General	459 202		730 138	926 610		1 735 098	2 072 626		234 855
Amatola Water	1 126 059								
SALGA	5 000	510 000	512 544	500 000	500 000	500 178			
Travel and accommodation/Trainin g	37 043	109 599	209 270	72 679	192 758	169 622	120 057	111 847	43 037
Security	1 401 556	115 651	72 240	693 908		1 354 850	72 240		1 460 310
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
Eskom small accounts	869 344	239 363	829 117	716 374	206 183	180 952	92 221	670 368	378 899
Eskom FBE	480 146	478 521	526 939	526 685	518 936	61	18 874		35 143
AFS	110 510		420 825	302 860					
General Valuation	273 600			136 800					
Makana Tourism								101 214	100 000
Department of Transport	469 030	756 911	517 367	1 048 279	466 352	572 783	649 329	585 479	543 947
Insurance								1 567 267	
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	33 061	62 646	109 752
Landfill site	562 626		562 626	713 219	562 626	562 626	562 626	562 626	1 125 251
Own Capital Expenditure	324 832				26 220	600 000	398 979	239 275	5 221 370
Dept of Human Settlements		346 000		164 910				328 814	58 975
Rental of vehicles						419 150			176 435
Total	44 532 469	36 627 911	42 341 779	45 782 645	36 767 822	53 004 628	50 027 493	31 742 229	59 443 935

The above amounts were paid from the sources reflected hereunder. The municipality paid **R59,4 million** towards employee-related costs and its suppliers for the period ending 31 March 2024.

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

Source of Funding	July 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
	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
FMG operating grant	50 175	0	0	0	0	0	0	0	0
DSRAC									
WSIG	4 344 834	0	183 363	479 660	0	5 828 132	694 291	213 079	1 934 615
DME	0	0	0	0	102 794	280 334	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
Capital Grant	5 978 863	4 081 253	3 886 298	5 858 660	1 069 758	9 828 002	1 837 640	1 092 705	3 972 162
Own Capital Expenditure	324 832	0	0	0	26 220	600 000	398 979	239 275	5 221 370
Operating budget own expenditure	38 178 599	32 444 957	38 231 981	39 627 925	35 503 964	42 236 666	47 790 874	30 238 769	50 250 404

The above table reflects various payment sources that fund both operational and capital projects. The grant expenditure is performing well currently, and the municipality should be able to fully spend all allocation by the end of the financial year or have a small amount requested for a roll-over. The Belmont project needs to be followed up as it is not spending in line with the projected cash flow by the contractor.

3.4 Payment Plans

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

SUPPLIER	DESCRIPTION	TOTAL AMOUNT OWED	AMOUNT PAID	BALANCE
Eskom as per debt relief agreement	Bulk Account	R79,182,121.22	R19,244,292.34	R59,937,828.66
DBSA	20 Year loan	R 56 358 399	R 0 - due 2 April	R45,943,968.48
DEPT. WATER & SANITATION	Purchase of Raw Water.	R71,225,330	R 2,523,111	R57,500,076.29
MTN	Internet Service	R1,849,342.66	R 0 – due 2 April	R910,294.10

Eskom is busy reconciling all accounts of the municipality in terms of the Debt Relief Programme, and balances might change, depending on the outcome of the reconciliations.

The amount 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 2024 and is currently servicing current and arrear debt balances. The municipality is up to date with the Eskom account in line with the debt relief conditions.

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 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**.

The total salary cost, including 3rd party payments for the month of March 2024 as reported in terms of section 66 of the MFMA amounted to **R 18,536,486.57**. The employee-related costs translate to **64%** of the budgeted employee related costs and **21%** of the operating expenditure. The overall budgeted expenditure for cost of employment (employee related cost and councillor's) for 2023/24 amounts to **21%** of the total 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 NONTSOLO	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

The total leave of **R9,044.35** was paid out by the municipality during the month of March 2024. Total leave of **R1,213,125** was paid out by the municipality period ending of March 2024. These were leave days for employees that had left the employment of the municipality, and this is money could have been used on day-to-day operations.

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

Employees should however be encouraged to keep their leave days minimal as this has a negative impact on the 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 March 2024 amounted to **R18,5 million** and this is inclusive of shift overtime – Refer **Annexure “1”** for details. The overtime continues to consume around **R1 million** monthly in the financially strained municipality.

3.8. Fruitless & Wasteful Expenditure as of 31 March 2024

Due to the municipality's current financial situation, the municipality is continuing to incur fruitless and wasteful expenditure. However, efforts are made to prioritize payments to those suppliers who charge interest. During the period ending 31 March 2024 interest recognized amounted to **R874,744.42**. This was 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 March 2024, related to Eskom Small Accounts. The municipality is currently engaging Eskom in an attempt to reverse that interest. 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. The total fruitless and wasteful expenditure incurred in 2022/2023 financial year amounted to **R8,2 million**, 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 **R9 million** as of 31 March 2024.

3.10.1 Creditors/Trade Payables

As at the end of 31 March 2024, the total debt owed to creditors amounted to **R194,3 million**.

3.10.2 Debtors Age Analysis

As of 31 March 2024, the debtors book stands at **R1.1 billion**, increased by 2% when compared with the debt book as of 29 February 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	3 527 425.50	3 419 203.44	2 815 679.36	909 979.16	1 327 215.44	13 149 693.74	25 149 196.64	
Residents	31 225 580.84	235 488 490.41	30 302 168.42	21 229 918.92	20 158 746.59	683 398 597.81	1 021 803 502.99	
Business & Industries	5 194 871.41	20 826 638.28	2 682 748.81	2 189 570.77	1 931 172.36	48 672 408.01	81 497 409.64	
Councillors	4 666.48	30 797.56	621.73	2 223.54	2 509.10	25 982.40	66 800.81	
Mun Officials	192 010.24	364 181.60	83 496.08	63 596.57	60 793.63	1 134 272.55	1 898 350.67	
TOTAL	40 144 554.47	260 129 311.29	35 884 714.40	24 395 288.96	23 480 437.12	746 380 954.51	1 130 415 260.75	
OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA								
SERVICES	CURRENT	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL	
Water	12 598 655.94	0	18 056 145.66	10 161 309.04	10 024 297.48	276 089 405.86	326 929 813.98	
Electricity	9 015 923.63	-	3 585 922.22	2 817 511.94	2 523 387.45	43 166 344.11	61 109 089.35	
Sanitation	2 728 929.22	-	1 939 720.13	1 818 383.84	1 758 857.20	80 542 203.33	88 788 093.72	
Refuse	2 050 248.84	-	1 736 097.31	1 669 704.84	1 626 782.44	57 559 693.44	64 642 526.87	
Rates	10 400 072.33	-	6 906 334.66	5 304 741.25	5 009 769.16	193 698 545.16	221 319 462.56	
Other	3 350 724.51	-	3 660 494.42	2 623 638.05	2 537 343.39	95 324 762.61	107 496 962.98	
Combined		260 129 311.29	-	-	-	-	260 129 311.29	
TOTAL	40 144 554.47	260 129 311.29	35 884 714.40	24 395 288.96	23 480 437.12	746 380 954.51	1 130 415 260.75	
GOVERNMENT DEPARTMENTS								
DEPARTMENT	Water	Electricity	Sanitation	Refuse	Rates	Others	Combined	TOTAL
EDUCATION	395 607.62	531 733.59	-	30 227.49	-	-96 520.66	87 197.95	948 245.99
PROVINCIAL PUBLIC WORKS	60 355.23	339 207.01	2 289 066.08	16 678.27	3 976 268.20	513 954.80	1 174 533.11	8 370 062.70
NATIONAL PUBLIC WORKS	1 510 107.51	2 164 856.98	93 198.93	80 429.66	3 827 818.95	-166 881.85	1 052 953.52	8 562 483.70
HEALTH	1 182 297.63	1 091 495.52	-	14 770.03	-	319 349.53	70 403.44	2 678 316.15
SOCIAL DEVELOPMENT	16 188.30	16 829.82	-	496.82	-	5 027.25	-	38 542.19
HUMAN SETTLEMENT	-	-1 944.00	-	-	31 303.62	-56 670.75	11 304.90	-16 006.23
TRANSPORT	1 267 301.17	813 694.05	2 744.10	130 072.28	213 846.74	332 035.32	760 151.17	3 519 844.83
DRDAR	6 592.50	43 753.58	-	993.64	-	136 316.25	437.54	188 093.51
DRDLR	-	-	-	-	578 969.10	-	240 003.17	818 972.27
NATURE CONSERVATION	-	151 963.97	-	-	-	23 161.82	22 218.64	197 344.43
SPORTS & CULTURE	1 000.70	7 083.16	-	248.41	-	-165 035.17	-	-156 702.90
TOTAL	4 439 450.66	5 158 673.68	2 385 009.11	273 916.60	8 628 206.61	844 736.54	3 419 203.44	25 149 196.64

The debt book continues to increase, and this is also influenced by the meter readings that are taken and in a number of cases there are state entities that were not read and some businesses that did not have water meters, which have since been installed. The annual property rates and connection fees have been billed in July 2023 and this is what led to a huge increase on government departments debt from **R12 million** in June 2023 to **R25 million** in March 2024.

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

The employee's debt is standing at **R1,9 million**, a decrease of **R600,000** compared to outstanding employee debt as of 30 June 2023. 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.

The business debt stands at **R81,5 million** owing to the corrections on consumer accounts that have been made and businesses that have since planned to pay their accounts.

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% Indv	Collection Avg	Description	Debtors Billing	Actual Receipts	Collection% 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 Electricity	3 326 323	3 326 323	-	-	Prepaid Electricity	3 082 805	3 082 805	-	-	Prepaid Electricity	3 086 882	3 086 882	-	-
Electricity	8 481 312	7 633 768	90	5 379 205	Electricity	8 175 041	6 142 851	75	3 383 409	Electricity	9 005 374	6 532 034	73	4 338 077
Water Usage	10 725 280	1 683 775	16	6 802 424	Water Usage	17 129 576	1 544 818	9	7 089 848	Water Usage	12 218 565	1 936 312	16	5 886 210
Water Connection	3 163 902	1 036 297	33	2 006 679	Water Connection	3 031 556	863 337	28	1 254 746	Water Connection	3 124 089	806 078	26	1 505 008
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	48 187	Leases	88 439	15 080	17	36 487	Leases	88 439	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		51 957 941	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 Quarter 2024				
Description	Debtors Billing	Actual Receipts	Collection% Indv	Collection Avg
Property Rates	21 819 616	19 999 274	92	13 838 918
Prepaid Electricity	-	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%		

The above report reflects that the municipality collection rate for the quarter amounted to **50,5%** as at end of March 2024. The collection rate has decreased from January 2024 to March 2024 by **22%**. The collection rate for March has not reached the budgeted collection rate of 80% for the year, and the average collection rate for the year to date is still below budgeted collection of 80%. 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 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 February 2024. During the quarter under review an amount of **R246,8 thousand** was paid as a subsidy to indigent households.

BREAKDOWN ON FREE BASIC SERVICES ALLOCATION AS OF 31 MARCH 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		29-Feb		
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

The total subsidy for the year amounts to **R2,3 million**.

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 at 31 March 2024.

3.12 Capital Budget Summary

The below table represents capital expenditure incurred during the quarter ending 31 March 2024:

EC104 MAKANA MUNICIPALITY CAPITAL EXPENDITURE 23/24 - MARCH 2024			
	MIG		
	2023/24 Budget	March 2024 Expenditure (YTD)	% Spent
Upgrade of Ncame Street in Joza Kingsflats in Makhanda (Grahamstown)	6 989 873.00	6 989 873	100.0%
Replacement of Ageing Asbestos pipes in Makhanda Phase 3	13 722 702.00	13 383 145	97.5%
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	800 000.00	365 446	45.7%
Fencing of Mayfield, Tanti, low level and intermediate reservoirs	-	-	
	25 224 400	24 450 289	97%
	WSIG		
	2023/24 Adjusted Budget	March 2024 Expenditure (YTD)	% Spent
Installation of domestic smart water meters	-	-	
Refurbishment of Belmont Valley	21 947 000	16 775 556	76%
	21 947 000	16 775 556	76%
	2023/24 Budget	March 2024 Expenditure (YTD)	% Spent
Internally Generated Funds			
Upgrade of Ncame Street in Joza Kingsflats in Makhanda (Grahamstown)	1 800 000	1 453 265.00	81%
Equipment	5 401 000	-	0%
Replacement of Fleet-Vehicles	10 710 000	5 933 537	55%
Computer equipment	1 070 000	1 041 397	97%
Office equipment	1 900 000	-	0%
	20 881 000	8 428 199	40%
Total Capital Budget	68 052 400	49 654 044	73%

The above report reflects an expenditure of **R49,7 million** or **73%** expenditure for the period ending 31 March 2024. The above table reflects underperformance by the municipality on capital spending as it should be sitting at around 75%. This is owing to the internal funded capital expenditure which is not feasible until municipal revenue improves. MIG expenditure was at 97% at the end of the period whilst WSIG was at 76%. 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. The projects that have reflected high overperformance will be considered during adjustment budget to cater for the unauthorized expenditure.

On WSIG Belmont is under construction and there are recommendations for the appointment of panel of service providers for SMART Meters. The municipality has however seen it prudent to have a consultant that will monitor the installation of smart meters. This will ensure full expenditure of WSIG .

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 MARCH 2024

3.16 RECOMMENDATION:

It is recommended that:

- a) The Mayoral Committee **approves** the contents of the section 71 report and supporting documents for the quarter ending 31 March 2024.
- b) The Mayoral Committee appoints a Council Committee to investigate fruitless and wasteful expenditure for the quarter ending 31 March 2024.

MR P.M. KATE
MUNICIPAL MANAGER