



REPORT FROM MUNICIPAL MANAGER TO AUDIT COMMITTEE

File ref.....

Collaborator/Item no:

Date: 12 October 2023

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

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

1. PURPOSE

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

2. EXECUTIVE SUMMARY

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

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

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

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

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

3. DISCUSSION

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

3.1 Operating Budget

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

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

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

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

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

3.2 Operating Revenue per Category

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

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

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

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

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

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

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

3.3. Operating Expenditure per Category

Detailed Operating Expenditure per Category

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

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

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

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

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

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

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

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

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

3.4 Payment Plans

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

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

With the poor collection rate the municipality is struggling to meet the Eskom and DWS arrangements, however it is trying to keep up to date with the monthly accounts. The amount reflected above is for the arrear account and not the monthly account as the municipality is trying to ensure that the arrangement amount and the current account is settled monthly, under the difficult circumstances of revenue collection.

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

3.5 Employee Related Costs

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

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

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

3.6 Leave Encashment

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

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

This is owed to poor leave management by Directorates and management not implementing the provisions of the collective agreement when it comes to leave management. Managements needs to encourage staff

to take leave and put a tentative date towards leave forfeiture should an employee have leave days beyond 48 days.

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

3.7 Employee Related Costs – Overtime

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

3.8. Fruitless & Wasteful Expenditure as at 30 September 2023

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

3.9 Unauthorised Expenditure

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

3.10 Cash Flow Situation

In terms of cash flow position the municipality shows a positive bank balance of **R6 million** as of 30 September 2023. The investments linked to conditional grant funding and DBSA collateral amounted to **R77,2 million**. The total collections/receipts for the quarter amounted to **R86 million**, plus **R30 million** equitable share, meaning the municipality is still performing far below the expected revenue collection to meet its monthly commitments of over **R120 million** for the quarter under review.

3.10.1 Creditors/Trade Payables

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

3.10.2 Debtors Age Analysis

As at 30 September 2023 the debtors book increased by **R10,1 million or 1%** when compared with the debt book as at 31 July 2023.

This amount is divided into the following categories & type:

SUMMARY /PROOF							
Consumers	Current	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
Govt departments	2,458,434.74	2,511,146.01	2,798,578.32	23,835,833.06	203,858.84	5,540,463.79	37,348,314.76
Residents	30,247,969.53	203,262,464.64	21,480,234.86	33,001,901.14	18,794,293.58	574,904,756.11	881,691,619.86
Business & Industries	1,890,207.81	18,232,718.31	-1,124,116.18	3,052,780.03	1,263,050.43	47,452,322.54	70,766,962.94
Councillors	4,706.81	27,343.16	673.15	6,883.12	801.42	24,554.80	64,962.46
Mun Officials	117,979.02	362,379.39	62,122.44	86,756.19	61,904.51	1,291,888.41	1,983,029.96
Other institutions	-	-	-	-	-	-	-
TOTAL	34,719,297.91	224,396,051.51	23,217,492.59	59,984,153.54	20,323,908.78	629,213,985.65	991,854,889.98

OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA

SERVICES	CURRENT	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
Water	7,995,702.45	-	9,335,056.35	10,830,024.66	11,197,266.32	226,489,692.94	265,847,742.72
Electricity	12,797,668.05	-	4,640,766.48	2,432,747.35	1,427,357.16	36,163,427.95	57,461,966.99
Sanitation	2,736,817.72	-	2,206,375.81	8,694,558.66	1,126,483.05	67,722,401.93	82,486,637.17
Refuse	2,050,685.71	-	1,706,400.03	1,641,444.73	987,829.65	49,469,863.31	55,856,223.43
Rates	10,605,434.92	-	3,613,154.43	32,427,130.40	3,510,817.46	165,047,098.53	215,203,635.74
Other	-1,467,010.94	-	1,715,739.49	3,958,247.74	2,074,155.14	84,321,500.99	90,602,632.42
Combined	-	224,396,051.51	-	-	-	-	224,396,051.51
TOTAL	34,719,297.91	224,396,051.51	23,217,492.59	59,984,153.54	20,323,908.78	629,213,985.65	991,854,889.98

DEPARTMENT	Water	Electricity	Sanitation	Refuse	Rates	Others	Combined	TOTAL
EDUCATION	469,522.75	496,323.00	15,722.70	24,135.80	66,664.33	-130,663.87	103,978.00	1,045,682.71
PROVINCIAL PUBLIC WORKS	25,661.89	170,676.41	4,190,465.61	6,825.24	19,085,153.29	836,792.75	723,434.51	25,039,009.70
NATIONAL PUBLIC WORKS	977,668.82	1,877,990.15	194,010.86	70,328.53	3,600,724.80	-370,086.57	849,658.72	7,289,695.31
HEALTH	-337,012.64	554,741.33	-	7,372.60	-	-29,931.63	23,681.55	218,851.21
SOCIAL DEVELOPMENT	2,197.50	28,108.23	-	745.23	-	47,529.41	39.92	78,620.29
HUMAN SETTLEMENT	-	-	-1,944.00	-	29,123.46	-67,090.83	9,457.85	-30,453.52
TRANSPORT	1,151,088.50	777,058.45	2,150.76	116,258.84	-	307,014.18	582,513.70	2,936,084.43
DRDLR	16,133.90	26,019.90	-	496.82	-	6,397.60	-	49,048.22
NATURE CONSERVATION	-	-	-	-	578,553.56	-	204,951.42	783,504.98
SPORTS & CULTURE	1,000.70	13,233.18	-	248.41	-	19,973.96	14,030.34	164,716.11
TOTAL	2,306,261.42	4,074,862.46	4,400,405.93	226,411.47	23,450,219.44	379,008.03	2,511,146.01	37,348,314.76

The debt book continues to increase, and this is also influenced by property rates and non-payment. The annual property rates and connection fees have been billed in July 2023 and there is decrease on government departments debt from **R42,6** in August 2023 to **R37 348 314,76** in September this depicts a decrease of **R5 251 685.24**

Meter readers are monitored on a weekly basis to ensure improved meter reading and correct billing. It is however going to take time to ensure intended results are achieved due to a number of 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 **R 1,983 029.96**, an increase of R83 ,029.96 compared to August 2023. The councilor debt has decreased from R69 158.48 to R64 964.46 due adhering to the arrangements made towards their accounts.

The business debt is standing at **R70 million** owing to the corrections on consumer accounts that have been made and businesses that have since made arrangements to pay their accounts.

3.10.3 Debt Collection Rate

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

Description	Collection Rate - July 2023				Description	Collection Rate - August 2023				Description	Collection Rate - September 2023			
	Debtors Billing	Actual Receipts	Collection n%	Avg		Debtors Billing	Actual Receipts	Collection n%	Avg		Debtors Billing	Actual Receipts	Collection n%	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	1 209 648	13	2 533 292	Water Connection	3 029 081	1 712 391	57	1 877 334	Water Connection	3 140 064	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	2 048 121	538 806	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	40 937	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 Outsc	6 001 222	469 203	8	3 719 378
Other Revenue	7 007 568	4 108 452	59	1 888 426	Other Revenue	1 304 263	4 071 141	312	808 343	Other Revenue	4 161 272	5 387 800	129	2 579 036
	88 446 429	23 834 873		23 834 873		43 886 507	27 199 545		27 199 545		44 938 583	34 750 274		27 851 590
Average calculated collection rate			26.9%		Average calculated collection rate			62.0%		Average calculated collection rate			77.3%	

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

Average calculated collection rate

48,4%

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

3.10.4 Indigent Report

The below table summarizes the Indigent Statistics.

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

BREAKDOWN ON FREE BASIC SERVICES ALLOCATION AS AT 30 SEPTEMBER 2023

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

3.11 Grant Balances

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

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

3.12 Capital Budget Summary

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

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

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

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

3.13 Status of mSCOA (Municipal Standard Chart of Accounts)

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

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

3.14 LEGISLATIVE REQUIREMENTS

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


3.15 ANNEXURES

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

3.16 RECOMMENDATION:

It is recommended that:

- (a) The Audit Committee NOTES the contents of the section 52(d) report and supporting r for the quarter ending 30 September 2023.



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

