
RECOMMENDATIONS TO COUNCIL: 31 DECEMBER 2023

OCD		QUARTERLY BUDGET MONITORING REPORTS SECTION 52 REPORT, SECTION 71, C-SCHEDULE FOR THE PERIOD ENDING 31 DECEMBER 2023
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PURPOSE

The purpose of the report is to table the Section 52 (d) report for the period ended 31 December 2023 for Council to approve.

EXECUTIVE SUMMARY

The Mayor, who must provide general political guidance over the fiscal and financial affairs of the Municipality, is required by Section 52 (d) of the Municipal Finance Management Act to submit a report on the implementation of the budget and the financial state of affairs of the Municipality, to Council within 30 days after the end of each quarter.

PREAMBLE

In terms of **Section 71(1)** of the Municipal Management Act (MFMA) No.56, the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the Municipality and relevant provincial treasuries a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month: -

- a) Actual revenue, per revenue source.
- b) Actual borrowings,

- c) Actual operating expenditure, per vote.
- d) Actual capital expenditure, per vote.
- e) The amount of any allocation received.
- f) Actual expenditure on those allocations, excluding expenditure on –
 - I. Its share of the local government equitable share; and
 - II. Allocations exempted by the annual Division of Revenue Act from compliance with this paragraph and.
- g) When necessary, an explanation of -
 - I. Any material variance from municipality's projected revenue by source, and from the municipality's expenditure projections per vote.
 - II. Any material variance from the service delivery and budget implementation plan; and
 - III. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remains within the municipality's approved budget.

In terms of Section 52 (d) The Mayor must, within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.

1. Executive summary of the financial performance and Position

The municipal Revenue budget for the year was approved at **R1.69 billion** to cater for operational activities and **R550 million** for capital expenditure. An amount of **R1.67 billion** as of 31 December 2023 was received, included in the **R1.67 billion** is **R922.7 million** for equitable shares received from National Treasury. Out of **R396.4 million** received for capital, only **R192.1 million** has been recognized as income for meeting the condition of the grant. The WSIG 6B expenditure as at 31 December 2023 is **R259.2 million**.

The municipality is currently recognizing conditional grant such as Municipal Infrastructure Grant as liability which is the requirements with generally Accepted Accounting Practice (GRAP). This grant will only be recognized as revenue once they have meet conditions of those grants.

The municipal payable to date is currently reported at **R830** of which **R822 million** of that relate to historic debt for the purchase of bulk water from Lepelle and DWS.

The Municipality relies solely on grant for funding the operations mainly because of non -payment of services by the municipalities. The municipal current operational and capital per months is **+ R 100m**. The office of BTO has finalize some monthly cash flow projections that will provide a guideline as to the cash that will be made available for a month / quarter. This would be done to ensure that cash is available to fund critical operations even in cases where equitable shares allocations from National Treasury get to be delay. The details management accounts is attached as schedule C.

a) Financial Overview

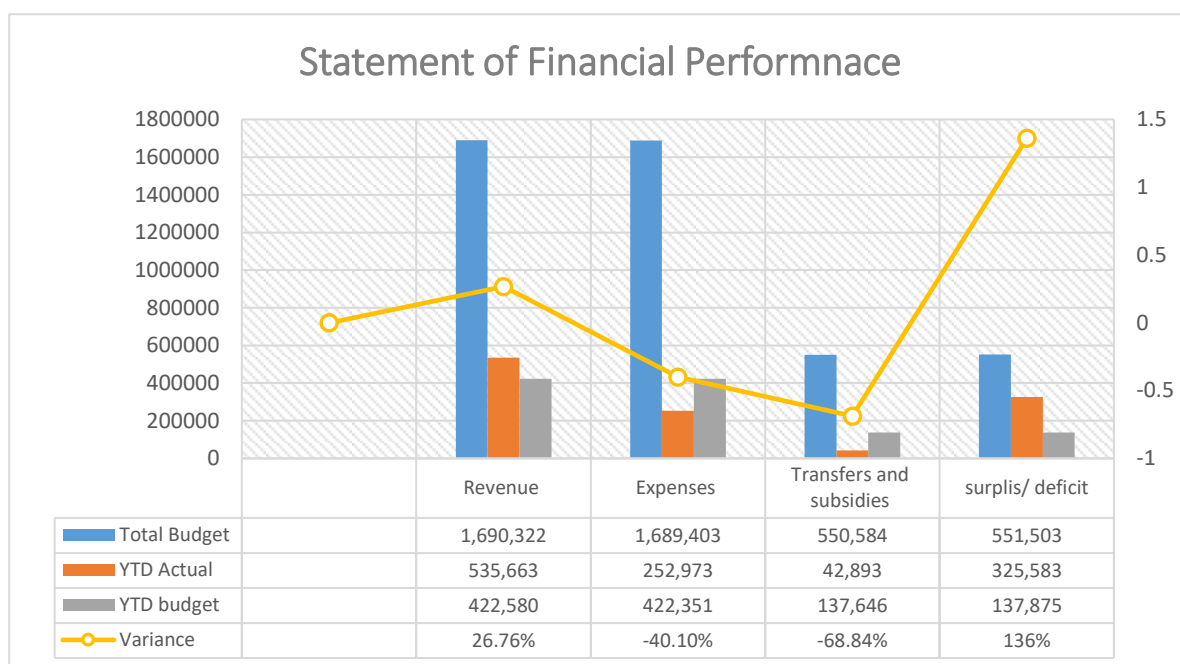


Figure 1: Statement of Financial Performance

2.1 Statement of financial Performance

a). Operating Revenue

i. Service charges

The services charges for water charged to consumers is at **R34 million** of the YTD Actual when compared to the YTD Budget of **R143.9 million** and the variances **-73.03%**. The service charges for sanitation is at **R3.8 million** of the YTD Actual when compared to the YTD Budget of **R18.9 million** and the variance is **-79.5%** as at the period ending December 2023.

i. **Transfers and Subsidies Operational**– the municipalities is at **R949.2 million** of the YTD Actual when compared to the YTD Budget of **R638.8 million**, the variance is **48.6%** on operating grants and subsidies as at the end of the period ended December 2023. The Municipality performed well in a very low variance difference compared to the prior months.

ii. **Transfers and Subsidies Capital**– the municipalities is at **R316.3 million** of the YTD Actual when compared to the YTD Budget of **R275.2 million**, the variance is **14.9%** on capital grants and subsidies as at the end of the period ended December 2023. The variance is due to straight line budgeting.

iii. **Interest earned on Current and Non-Current Assets** –Interest earned on current and non-current asset is at **12.0 million** of the YTD Actual when compared to the YTD Budget of **R2 million**, the variance is due to the fact of projection of historical debt.

iv. **Other income** – Fire services charges, it is at **R12.9 million** of YTD Actual when compared to the YTD Budget of R0. The Municipality did not budget for this line item. It will be corrected during the adjustment budget.

v. **Sale of Goods and rendering services (Tenders)**- Sale of goods and other services including sales from Tenders is **R 775 thousand** of the YTD Actual when compared to the YTD Budget of **R1.7 million**, the variance of **-56.5%** due to historic data analysis.

Budget Management (MFMA chapter 4 & 71,72)

Budget process and progress as at 31 December 2023.

Description	Original Budget	Adjusted Budget	YTD 31 December 2023	% receipt
Revenue By Source				
Service charges - water revenue	287 943	287 943	34 000	-76.38%
Service charges - sanitation revenue	37 811	37 811	3 876	-79.50%
Interest earned - external investments.	4 000	4 000	12 026	501.32%
Interest earned- Outstanding Debtors	79 281	79 281	5 633	-85.79%
Transfers and subsidies	1 277 722	1 277 722	949 641	48.65%
Other revenue	3 565	3 565	775	-56.54%
capital transfers and contributions)	550 584	550 584	275 292	14.90%

b) Operating Expenditure

- c) **Employee Related Costs (Salaries and Wages & Social contribution)** – Employee related costs expenditure it at **R224.3 million** of YTD Actual when compared to the YTD Budget of **R236.5 million** and the variance is **-5.1%** for the period ended December 2023, which is lower than the expected budget.
- d) **Councillors Remuneration** – The councillors' remuneration is at **R 8.9 million** of the YTD Actual when compared to the YTD Budget of **R6.2 million** the variance is **43.1%**. Remuneration for councillors was under budgeted, hence a higher positive variance. It will be adjusted during Special adjustment period.

e) Depreciation

The depreciation is at **0%** for the period ending December 2023, the Assets Register is currently being finalised and as such, the Deprecation for the 2023/2024 financial year once the conversion exercise is completed.

- f) **Debt Impairment**- We impair once a year at the end of Financial Year.
- g) **Contracted services** – includes the payments for leased vehicles, security services, Legal Services, PMU Support, consultants assisting in preparation of AFS and mSCOA. Expenditure is at **R103.6 million** of the YTD Actual compared to the YTD Budget of **R57.7 million**, the variance is **79.3%** for the period ending December 2023.
- h) **Inventory Consumed** - This figure includes repairs and maintenance of infrastructure and movable assets on an ad hoc basis and the purchase of bulk water purchases from Lepelle Northern Water and Department of Water and Sanitation is at **R145.5 million** of the YTD Actual compared to the YTD Budget of **R204.9 million**, the variance is **-28.9%** for the period ending December 2023.
- i) **Operational Costs** – Operational Costs is at **R89.7 million** of the YTD Actual compared to the YTD Budget of **R54.5 million** the variance is **64.5%** as at the period ended December 2023.
- j) **Interest Paid** – Interest paid is at R63 thousands of the YTD Actual compared to the YTD Budget of R27.4 million the variance is at -99.7 as the period ended December 2023.

The overall operating expenditure on the end of December 2023 is at **R572.3 million** of the YTD Actual compared to the YTD Budget of **R844.7 million** and the variance is **-32.2%**. The reason for low spending on operational expenditure is non-calculations of the depreciation and debt impairment, and the receiving and issuing the water inventory and other stores not using the financial system (stores module)

Operating Expenditure

Description	Original Budget	Special Adjusted Budget	YTD Expenditure 31 December 2023	% Spent
Employee related costs	473 007	473 007	224 382	-5.13%
Remuneration of councillors	12 468	12 468	8 921	43.11%
Debt impairment	63 714	63 714	0	100%
Depreciation & asset impairment	450 000	450 000	0	100%
Finance charges	54 828	54 828	63	99.77%
Inventory Consumed	409 898	409 898	145 558	-29.98%
Contracted services	115 544	115 544	103 630	79.38%
General expenditure	109 096	109 096	89 761	64.55%
Total Expenditure	1 688 555	1 688 555	572 315	34%

LEGAL IMPLICATIONS

As per Section 54 (1) on receipt of a statement or report submitted by the accounting officer of the municipality in terms of Section 71 or 72, the mayor must-

- a) Consider the statement or report;
- b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustment budget;
- d) Issue an appropriate instruction to the accounting officer to ensure-
 - I. That the budget is implemented in accordance with the service delivery and budget implementation plan; and

- II. That spending of funds and revenue collection proceed in accordance with the budget;
- e) Identify any financial problems facing the municipality, including any emerging or impending financial problems.
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FINANCIAL IMPLICATIONS

None

ORGANIZATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

None

Annexures / Attachments

- i. Detailed BTO reports with the following annexures.
- Fleet management report
 - Commitment register
 - Contract register
 - UIFW
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RECOMMENDATIONS

1. That Council takes note of the December 2023 budget monitoring report as per Section 52 of the MFMA;

2. That Council also note the C-Schedule and quarterly monitoring report -Section 52 report for the period ending December 2023 as attached.
3. That Council takes note of the Section 52 report for the period ended December 2023 attached as annexure.
4. That Council notes that the municipality's overall year to date expenditure for the month ended December 2023 is at **R572.3 million**.
5. That Council notes that the municipality's year to date capital expenditure for the month ended December 2023 is at **R192.1 million**, this include WSIG 6B projects
6. That council note the cash and cash equivalent as at December 2023 is at **R518.0 million** for all the bank accounts of the MDM.
7. That council note the total amount owed to creditors as per creditors age analysis as of December 2023 is **R 830 million including** outstanding debt (DWS R364m and Lepelle Northern water account R467m)
8. That council note the year-to-date employee related cost and remuneration to councilors is at **R224.3m** and **R 8.9m** respectively.
9. That council note the additions made to Work in progress (WIP) on infrastructure assets and movable assets for the month ending December 2023.
10. That the council note the Supply chain report for the month ending December 2023
11. That the council note the Assets management report for the month ending December 2023
12. That council note the fuel and fleet management for the month ending December 2023.
13. That council note revenue billed and collected on Water and sanitations by the local Municipalities in the Mopani District Municipality.
14. That Council approves the report.

