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<b>RECOMMENDATIONS TO COUNCIL: 30 SEPTEMBER 2024</b>
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OCD		<b>QUARTERLY BUDGET MONITORING REPORTS SECTION 52, C-SCHEDULE FOR THE PERIOD ENDING 30 SEPTEMBER 2024</b>
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### PURPOSE

The purpose of the report is to table the Section 52 report for the period ended 30 September 2024 for Council to approve.

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### 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.

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### 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.

### 1. Executive summary of the financial performance and Position

The municipal Revenue budget for the year was approved at **R1.753 billion** to cater for operational activities and **R513 million** for capital expenditure. An amount of **R753 million** as of 30 September 2024 was received, included in the **R753 billion**, amount of **R526 million** is for equitable shares received from National Treasury. Out of **R220 million** received for capital, **R159.7 million** has been recognized as income for meeting the condition of the grant. The WSIG 6B expenditure as of 30 September 2024 is at **R114.9 million**.

VDM Repayment revenue YTD amount to **R3.8 million** and Vat Refundable YTD amount to **R47.1 million** as 30 September 2024. Together these revenues amount to **R51.02 million** as to 30 September 2024.

The municipality is currently recognizing conditional grant such as Municipal Infrastructure Grant as liability which is the requirements with generally Accepted Accounting Practice (GRAP 23). This grant will only be recognized as revenue once they have meet conditions of those grants.

### 1. Financial Overview

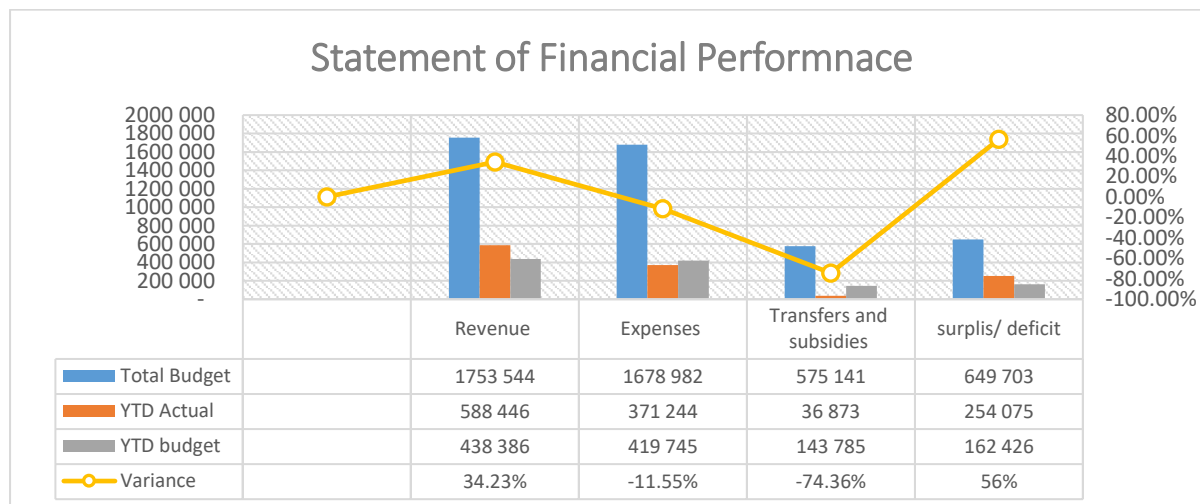


Figure 1: Statement of Financial Performance

a). **Operating Revenue**

i. **Service charges (GRAP 9)**

The services charges for water charged to consumers is at **R23 million** of the YTD Actual when compared to the YTD Budget of **R76.5 million** and the variances **-69.9%**. The service charges for sanitation is at **R5.9 million** of the YTD Actual when compared to the YTD Budget of **R117 thousand** and the variance is **4945%** as at the period ending 30 September 2024. The reason for high variance on sanitation is that the budget was erroneously captured in the system and will be corrected during the budget adjustment.

The system vendor is in the process of uploading customer information on the system the process of consolidating billing from local municipalities is in progress and remains slow due to lack of agreements with local municipalities and shall be automated on the system.

- i. **Transfers and Subsidies Operational**– the municipalities is at **R543.6 million** of the YTD Actual when compared to the YTD Budget of **R338.3 million**, the variance is 60.68% on operating grants and subsidies as at the end of the period ended the 30 September 2024. The high variance is due to municipality receive the first trench of equitable share in the month of July 2024.
- ii. **Transfers and Subsidies Capital**– the municipalities is at **R36.8 million** of the YTD Actual when compared to the YTD Budget of **R143.7 million**, the variance is -74.3% on capital grants and subsidies as at the end of the period ended the 30 September 2024. The variance is due to straight line budgeting and WSIG is not included in the monthly movement. The YTD actual for WSIG 6B is at **R114.9million**.
- iii. **Interest earned on Current and Non-Current Assets** –Interest earned on current and non-current asset is **R8.9 million** of the YTD Actual when compared to the YTD Budget of **R4.5 million**. The variance is 98.13%.
- iv. **Sale of Goods and rendering services (Tenders)**- Sale of goods and other services including sales from Tenders is **R327 thousand** of the YTD Actual when compared to the YTD Budget of **R500 thousand**, the variance of **-34.58%**, The cost of tender documents has been reduced due to historic data analysis.
- v. **Interest Earned from Receivables**- Interest earned on receivables is at **R6.1 million** of the YTD Actual when compared to the YTD budget of **R18.3 million**, the variance **-66.5%**.the variance is due to non-payment of the historical debts.

**b) Operating Expenditure**

- i. **Employee Related Costs** (Salaries and Wages & Social contribution) – Employee related costs expenditure it at **R118.7 million** of YTD Actual when compared to the YTD Budget of **R131.5 million** and the variance is **-9.7%** for the period ended 30 September 2024, which is lower than the expected budget.  
  
This variance is due to vacant posts not yet filled. Majority of this vacant position are already advertised, and the process of shortlisting and interview will be finalised. Overtime and leave encashment have been reduced significantly
- ii. **Councillors Remuneration** – The councillors’ remuneration is at **R4.3 million** of the YTD Actual when compared to the YTD Budget of **R5.9 million** the variance is **-26%**.
- iii. **Depreciation** – The depreciation is at **R51.9 million** of the YTD Actual when compared to the YTD Budget of **R75 million** and the variance is **-30.7** for the period ended 30 September 2024. The Asset module has been recently converted and is now operational, although it has not yet reached its full potential and optimal level of functionality..
- iv. **Debt Impairment-** Currently the municipality is accounting for debt impairment at year end. The municipality is planning to put revenue collection strategies to optimize the collection of debt owned by consumers through its local such as the use debt collectors, improved meter reading and other initiatives. The Municipality has a council approved Debt write-off policy which does not intend to promote the culture of non-payment and compromise the municipality future cash position, the policy is expected to assist in reducing irrecoverable debt.
- v. **Contracted services** – includes the payments for water tankers, security services, Legal Services, PMU Support, consultants assisting in preparation of AFS and mSCOA. Expenditure is at **R92.8 million** of the YTD Actual compared to the YTD Budget of **R48.5 million**, the variance is **91%** for the period ending 30 September 2024.
- vi. **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 **R73.4 million** of the YTD Actual compared to the YTD Budget of **R103.3 million**, the variance is **-28.9%** for the period ending 30 September 2024. The figure includes repairs and maintenance of infrastructure and movable asset on an ad hoc basis and the purchase of bulk water purchases from Lepelle Northern Water and Department of Water and Sanitation.
- vii. **Operational Costs** – Operational Costs is at **R29.8 million** of the YTD Actual compared to the YTD Budget of **R31.1 million** the variance is **-4%** as at the period ended 30 September 2024.
- viii. **Interest Paid** – Interest paid is at **R12 thousands** of the YTD Actual compared to the YTD Budget of **R7.6 million** the variance is at **-99.84%** as the period ended 30 September 2024.

The overall operating expenditure as on the 30 September 2024 is at **R371.2 million** of the YTD Actual compared to the YTD Budget of **R419.7 million** and the variance is **-11.5%**. The reason for low spending on operational expenditure is non-calculations of the debt impairment, and the receiving and issuing of the water inventory and other stores not using the financial system (stores module)

## 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

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## ORGANIZATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

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## COMMUNICATION IMPLICATIONS

None

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## 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 30 September 2024 budget monitoring report as per Section 71 of the MFMA:
2. That Council also note the C-Schedule and monthly monitoring report -Section 71 report for the period ending 30 September as attached.
3. That Council takes note of the Section 71 report for the period ended 30 September 2024 attached as annexure.
4. That Council notes that the municipality's overall year to date expenditure for the month ended 30 September 2024 is at **R371.2 million**.
5. That Council notes that the municipality's year to date capital expenditure for the month ended 30 September 2024 is at **R159.7 million**, this include WSIG 6B projects
6. That council note the cash and cash equivalent as of 30 September 2024 is at **R341.3 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 at 30 September 2024 is **R798.9 million** including interest on outstanding debt (DWS and Lepelle Northern water account)
8. That council note the year-to-date employee related cost and remuneration to councillors is at **R118.7 million** and **R4.3 million** respectively.
9. That council note the additions made to Work in progress (WIP) on infrastructure assets and movable assets for the month ending 30 September 2024.
10. That the council note the Supply chain report for the month ending 30 September 2024
11. That the council note the Assets management report for the month ending 30 September 2024
12. That council note the fuel and fleet management for the month ending 30 September 2024.
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.