

Council: 2024-01-31

A1 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR THE PERIOD
ENDING DECEMBER 2023 6/1/1- (2023/2024)

Report: Executive Mayor: 2024-01-12

1. PURPOSE

The report is submitted to ensure that the Budget and Treasury Office and Technical Services Section 80 Committee is able to exercise oversight responsibility over the financial management of the municipality.

2. BACKGROUND

The mid-year budget and performance assessment report (section 72 report) is compiled in terms of section 72 of the Municipal Finance Management Act, 2003; which stipulates as follows:

72. (1) The accounting officer of a municipality must by 25 January of each year-

- (a) assess the performance of the municipality during the first half of the financial year, taking into account-*
 - (i) the monthly statements referred to in section 71 for the first half of the financial year.*
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service deliver targets and performance indicators set in the service delivery and budget implementation plan.*
 - (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and*
- (b) submit a report on such assessment to-*
 - (i) the mayor of the municipality;*
 - (ii) the National Treasury; and*
 - (iii) the relevant provincial treasury.*

(2) The statement referred to in section 71(1) for the sixth month of a financial year

(3) The accounting officer must, as part of the review:

- (a) make recommendations as to whether an adjustments budget is necessary: and*
- (b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.*

In response to the indicated requirements, this Report will incorporate the following main elements:

- (1) An analysis of the budget performance of the Municipality, as reflected in its section 71 budget reports for the first six months of the 2023/24 financial year; and
- (2) An interpretation and assessment of the indicated analyses by the Accounting Officer; including subsequent recommendations and actions envisaged to improve the Municipality's planned service delivery and budget performance.

3. DISCUSSION

The content and format of this report for the Mid-year assessment ending 31st December 2023 is based upon the consolidated monthly electronic reports submitted to the Provincial and National Treasury. The statement contains the following statements:

- Statement of Operating Revenue & Expenditure – Part 1;
- Actual Capital Acquisition –Part 2;
- Cash Flow Statement – Part 3;
- Age Analysis of Debtors & Debtors Payment Statistics – Part 4;
- Age Analysis of Creditors – Part 5;
- External Investments – Part 6;
- Supply Chain Report (Deviations) – Part 7; and
- Grants & Subsidies – Part 8.
- Non-financial SDBIP Performance – Part 9
- Outstanding matters on the past year’s annual report – Part 10

Statement of Operating Revenue & Expenditure – Part 1

The statement is assessed by summarizing how the municipality incurs its revenues and expenses through both operating and none operating activities. It also shows the net profit or loss incurred over a specific accounting period.

A Profit & Loss statement provides information on the operation of the municipality. These include service charges and the various expenses incurred during the processing as well as the rendering the services

The statement is prepared on a similar basis to the prescribed budget format which details revenue by source type and expenditure by category and/or input type.

The total operating revenue for the reporting period ending December 2023 amounts to R507 830 441. The revenue generated for the reporting period consists of property rates R43 010 991, electricity amounting to R 234 775 572, water R1 459 499, sanitation services R21 096 170, refuse removal R12 328 232, interest earned on arrears R64 680 812, grants & subsidies received R127 914 084 and other revenue R820 797. Revenue generated increased by R21 517 495 when compared to the revenue generated as at 31st December 2022 of R486 312 946. The municipality in an effort to correct consumer accounts had to issue credit notes on property rates, Service Charge Water and sanitation services, this resulted in this services underperforming.

The operating expenditure for the first half of the financial year ending December 2023 amounts to R761 894 421. The operating expenditure consists of employee related costs and remuneration for councillors respectively amounting to R160 753 684 and R7 937 067, finance charges (interest on bulk purchases) amounting to R83 796 694, bulk purchases R303 584 082, provision for debt impairment amounting 35 209 619, provision for depreciation amounting to R41 330 097, contracted services and operating expenditure amounting to R64 450 510 and R52 328 376 respectively. The operating expenditure increased by R276 860 687 when compared to the operating expenditure of R485 033 734 for the period ended December 2022.

- The increase can be attributed to Employee related costs increase of 24 972 818 when compared to December 2022. The municipality approved a salary increase of 5.4% for the financial year 2023/24 and has taken initiatives to fill position s that will help reduce overtime, improve service delivery as well as improving revenue;

- The increase on Finance Cost as a result of interest charged by Eskom on the amount owed to it by the municipality;
- Increase on bulk purchases as a result of the 18.65% tariff increase that Eskom was approved to charge on municipalities and
- Contracted Services and other expenditure increases are due to the initiatives by the municipality to repair the aging water, sanitation, electrical, solid waste, electrical infrastructure etc.

MP305 Lekwa - Budget Statement - Financial Performance (revenue & expenditure) - December 2023

	2023/24 Pre Audit Outcome	Approved Budget 2023 - 2024 MTREF	Prior Year Mid YTD Movement Dec 2022	Mid YTD Actual Dec 2023	Mid Year Variance	YTD Actual	YTD Budget	YTD variance	YTD variance
R thousands									%
Revenue By Source									
Property rates	152 872 339	203 391 413	84 799 177	43 010 991	(41 788 186)	43 010 991	101 695 706.50	(58 685)	-58%
Service charges - electricity revenue	355 784 603	467 837 484	176 168 123	234 775 572	58 607 449	234 775 572	233 918 742.00	857	0%
Service charges - water revenue	72 414 069	84 373 209	46 710 759	1 459 499	(45 251 260)	1 459 499	42 186 604.50	(40 727)	-97%
Service charges - sanitation revenue	39 502 132	42 598 638	19 717 496	21 096 170	1 378 674	21 096 170	21 299 319.00	(203)	-1%
Service charges - refuse revenue	28 581 314	33 115 342	14 298 662	12 328 232	(1 970 430)	12 328 232	16 557 671.00	(4 229)	-26%
Service charges - other	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	1 643 457	2 502 068	769 703	1 098 009	328 306	1 098 009	1 251 034.00	(153)	-12%
Interest earned - external investments	1 117 028	638 000	647 034	365 809	(281 225)	365 809	319 000.00	47	15%
Interest earned - outstanding debtors	105 536 516	116 638 775	49 408 737	64 680 812	15 272 075	64 680 812	58 319 387.50	6 361	11%
Fines	2 593 669	4 550 000	284 570	280 466	(4 104)	280 466	2 275 000.00	(1 995)	-88%
Transfers recognised - operational	158 753 700	173 957 400	112 593 000	127 914 084	15 321 084	127 914 084	86 978 700.00	40 935	47%
Other revenue	1 445 396	3 520 230	320 392	820 797	500 405	820 797	1 760 115.00	(939)	-53%
Total Revenue (excluding capital transfers and contributions)	916 054	1 179 545 721	486 312 946	507 830 441	2 112 788	507 830 441	566 561 280	(58 731)	-10%
Expenditure By Type									
Employee related costs	283 203 486	326 220 520	135 780 866	160 753 684	24 972 818	160 753 684	163 110 260.00	(2 357)	-1%
Remuneration of councillors	12 086 245	13 912 707	6 912 008	7 937 067	1 025 059	7 937 067	6 956 353.50	981	14%
Debt impairment	256 279 305	70 419 237	35 179 950	35 209 619	29 669	35 209 619	35 209 618.50	0	0%
Depreciation & asset impairment	28 019 818	82 660 194	42 839 640	41 330 097	1 509 543	41 330 097	41 330 097.00	-	
Finance charges	152 750 310	73 256 000	42 274 430	83 796 694	41 522 264	83 796 694	36 628 000.00	47 169	129%
Bulk purchases Electricity	421 367 560	531 558 818	267 544 244	303 584 082	36 039 838	303 584 082	265 779 409.00	37 805	14%
Bulk purchases Water	54 216 050	55 000 000	997 356	86 624	910 732	86 624	27 500 000.00	(27 413)	-100%
Other materials	13 415 249	18 295 000	7 422 779	12 417 668	4 994 889	12 417 668	9 147 500.00	3 270	36%
Contracted services	87 408 030	128 597 743	32 479 750	64 450 510	31 970 760	64 450 510	64 298 871.50	152	0%
Transfers and grants	-	-	-	-	-	-	-	-	
Other expenditure	74 461 378	61 559 396	21 501 366	52 328 376	30 827 010	52 328 376	30 779 698.00	21 549	70%
Loss on disposal of PPE	-	-	-	-	-	-	-	-	
Total Expenditure	613 063 945	1 272 168 121	485 033 734	761 894 421	168 962 032	761 894 421	680 739 808	81 155	12%
Surplus/(Deficit)	302 990 124	(92 622 400)	1 279 212	(87 214 734)		(254 063 980)	(114 178 528)	(139 885)	0

Trading Services

Revenue Levied	Revenue YTD Actual July 2023 - June 2024	Expenditure YTD Actual July 2023 - June 2024	Surplus(Deficit) Actual July 2023 - June 2024
Electricity	234 775 572.00	R429 292 829.40	-R 194 517 257.40
Water	1 459 499.00	R25 113 733.35	-R 23 654 234.35
Refuse	12 328 232.00	R17 533 576.16	-R 5 205 344.16
Sewerage	21 096 170.00	R14 280 223.48	R 6 815 946.52
	269 659 473.00	R 486 220 362.39	-R 216 560 889.39
Revenue Collected	Revenue YTD Actual July 2023 - June 2024	Expenditure YTD Actual July 2023 - June 2024	Surplus(Deficit) Actual July 2023 - June 2024
Electricity	R170 347 090.00	R 429 292 829.40	-R 258 945 739.40
Water	R 17 083 090.00	R 25 113 733.35	-R 8 030 643.35
Refuse	R 5 716 283.00	R 17 533 576.16	-R 11 817 293.16
Sewerage	R 9 333 162.00	R 14 280 223.48	-R 4 947 061.48
	R 202 479 625.00	R 486 220 362.39	-R 283 740 737.39

Actual Capital Acquisition –Part 2

The accumulated expenditure on capital projects amounts to R29 799 177 for the current financial year. This reflects an increase of R11 129 597 when compared to the expenditure for the period ended December 2022 whereby the expenditure was R18 669 580.

Retention as at 31 December 2023

CONTRACTOR	PROJECT	CONTRACT AMOUNT	RETENTION WITHHELD	RETENTION PD BACK	RETENSION OWED
Soyamba	Installation of Sanitation Services in Rural Areas	R 1 189 732.00	R 91 546.05	R 45 773.03	R 45 773.03
Tsoga Moephatutsi	Construction and Upgrade of Stormwater Network Phase 3	R 3 400 000.00	R 292 035.82	R 153 659.75	R 138 376.07
ML Sakhile	Standerton Water Works & bulk water Supply Refurbishment	R 1 900 562.00	R 190 056.18	R 95 028.09	R 95 028.09
ZMG	Installation of Bulk Water Infrastructure and Replacement of AC pipes Lekwa Local Municipality	R 15 000 000.00	R 1 099 212.78	R 598 786.01	R 500 426.77
Ngani JV TK Vuwani	Upgrade of Standerton Sewer treatment works	R 24 609 498.00	R 1 797 900.90	R 654 978.77	R 1 142 922.13
Workman Construction and Projects (Turn Key Service Provider)	Installation of water services to informal settlements	R 1 961 400.00	R 196 137.00	R 98 068.50	R 98 068.50
Three 1 Developments (PTY) LTD	Supply & Installation of Electricity Network for 350 Households Extension 8	R 5 075 000.00	R 194 866.66	R -	R 194 866.66
Wanga Projects	Station and Construction of the Booster Pump Station within a Pumping Main (Sakhile Extension 4)	R 11 922 814.94	R 1 116 799.00	R -	R 1 116 799.00
ERMSA	Electrification of 35 Houses	R 1 925 000.00	R 189 600.99	R -	R 189 600.99
Thapiwe	Refurbishment and upgrading of combined recycling system at Standerton waste	R 11 810 400.00	R 1 291 268.62	R 1 365 119.16	R -73 850.54
Mbako Projects	Upgrade of Rooikopen sewer	R 6 999 687.75	R 898 855.81	R 349 982.83	R 548 872.98
Workman Construction and Projects	Refurbishment and upgrade of portions of Standerton water treatment plant	R 2 288 201.58	R 228 177.25	R 114 088.63	R 114 088.62
Zedek	Refurbishment and/or upgrade of the Standerton Waste Water Treatment Works	R 12 751 117.89	R 1 275 111.69	R 1 275 111.78	R -0.09
TM Consortium	Refurbishment and/or upgrade of Morgenzen & Sivukile Water Treatment Works	R 2 036 397.00	R 156 176.53	R -	R 156 176.53
Mavutha Electrical	Contractor For The Provision of Energy Efficiency Solution For High Masts; Streets	R 5 340 000.00	R 531 892.25	R 531 892.26	R -0.01
ASDU Trading and Projects.	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1 000 000.00	R 100 050.69	R 99 543.79	R 506.90
Ngcebo Holdings	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1 000 000.00	R 100 002.97	R 99 913.26	R 89.71
Hlahlathela	Installation of security systems for vulnerable Water, Sanitation and Electricity Infrastructure	R 1 576 126.75	R 157 612.39	R 157 612.75	R -0.36
Zedek	Refurbishment & Upgrade of Morgenzen Sports Facility	R 6 455 757.23	R 645 575.72	R -	R 645 575.72
Capital Power Projects	Electrification of 30 rural Houses	R 3 850 273.34	R 370 775.45	R -	R 370 775.45

ASDU Trading and Projects.	drilling and installation of boreholes	R 1 718 790.00	R 171 879.00	R 171 879.00	R -
ASDU Trading and Projects.	The supply deliver and install precast concrete palisade fencing to the morgenzon cemetery	R 1 647 143.85	R 155 657.10	R 164 714.39	R -9 057.29
Mrazane	Construction of o booster Pumping System for the Sivukile Low Pressure Supply Area for Morgenzon	R 2 432 380.10	R 130 308.70	R 93 821.04	R 36 487.66
Mrazane	Installation of Water Services to informal settlements within Lekwa LM	R 860 000.00	R 86 499.07	R -	R 86 499.07
Asgnc Africa (Pty)LTD	Rehabilitation of roads in Lekwa LM	R 7 735 960.56	R 704 551.34	R 386 798.03	R 317 753.31
Totobela Rloutona	DRILLING OF BOREHOLES AND INSTALLATION OF WINDMILLS WITHIN LEKWA	R 1 312 981.38	R 131 298.04	R 65 649.02	R 65 649.02
Pulefuhlala	Refurbishment and Upgrading of Standerton Bulk Water Supply System.	R 7 411 766.10	R 328 893.92	R -	R 328 893.92
Ntlemo	Refurbishment of Muller, Johan, TLC and Vaal Sewer Pump Stations.	R 6 967 326.01	R 516 357.73	R -	R 516 357.73
Vuxaka Consulting	Refurbishment and Upgrading of Morgenzon and Sivukile Bulk Water Supply.	R 5 216 421.74	R 521 512.64	R 521 512.64	R -
Ermsa *	Electrification of 128 RDP in Standerton Extension 8	R 2 038 307.15	R 203 656.84	R 203 656.84	R -
Ermsa	Construction of switching station at Standerton Extension 8	R 10 236 618.00	R 8 886 959.92	R -	R 8 886 959.92
Big Family	Refurbishment and upgrade of Mahala Park Soccerfield	R 1 425 136.35	R 102 373.00	R -	R 102 373.00
Big Family	The supply and installation of high security clear view fencing at the standerton square reservoir	R 2 149 476.00	R 214 947.60	R 247 994.63	R -33 047.03
Hlahlathela	The supply , delivery & Installation of High Security Clear View Fencing	R 1 775 737.42	R 177 572.70	R 177 572.68	R 0.02
Zedek	Supply, delivery & Install Precast concrete palisade fencing of the Rooikoppen Cemetry	R 1 906 982.00	R 190 698.15	R 190 698.18	R -0.03
TM & S Construction	Upgrading of the Standerton Bulk Water Supply System Phase 2 Construction of Kieser Pressuer Tower	R 35 462 276.62	R 1 473 721.12	R -	R 1 473 721.12
TM & S Construction	Coligny Sewer Line Upgrade	R 21 142 201.21	R 2 114 220.01	R 1 057 110.06	R 1 057 109.95
TCM Developments	Refurbishments of Rural VIP Toilets	R 961 515.00	R -	R -	R -
Mizana Engineering Services	Refurbishment of Standerton Wastewater Treatment Works Phase 2:	R 15 250 437.37	R 1 808 942.58	R 904 471.29	R 904 471.29
Enhanced Innovations	Upgrading and Operations of the Standerton Landfill Site	R 19 606 614.50	R 1 376 704.02	R -	R 1 376 704.02
Limacon	Manufacture, testing at Contractors works, supply, directory direct access (DDP), Installation, Testing at Site and Commissions of one fully functional three phase 20MVA 33/11 KV Power Transformer for Lekwa Local Municipality's Asub-station	R 6 601 906.20	R 533 067.27	R -	R 533 067.27
Ngcebo Holdings	Supply & installation of VIP toilets rural /farm areas	R 842 774.62	R 84 277.46	R 42 138.73	R 42 138.73
Shandis West	Installation of new VIP Toilets at Ward 12 and 13	R 1 329 940.50	R 132 994.05	R -	R 132 994.05
Mudoita	Drilling of Boreholes at Ward 9.12 and 13	R 998 085.50	R 99 808.50	R -	R 99 808.50
			R 31 070 555.52	R 9 867 575.14	R 21 202 980.38

Total retention owed from all projects for current and prior years amounts to R21 202 980.38

2023/2024 Financial Year MDRG Projects

PROJECT DESCRIPTION	APPROVED BUDGET CAPITALS 2023/2024	31-Dec	YTD ACTUAL EXPENDITURE IN THE 2022/23 FY	RETENTION WITHHELD VAT INCL	RETENTION PD BACK	RETENSION OWED	REMAINING BUDGET
Rehabilitation of 2* 7.5 motors and 2* T3 Gorman Rupp pumping units. Lifting of the pumping units and the piping works to minimise flooding.	R 750 000.00	R 651 045.00	R 651 045.00		R -	R -	R 98 955.00
Rehabilitation of 2* 22 kw motors and 2* pumping units. Lifting of the pumping units and the piping works to minimise flooding. Rehabilitation and	R 1 250 000.00		R -		R -	R -	R 1 250 000.00
Rehabilitation of 2* 55 kw motors and 2* pumping units. Lifting of the pumping units and the piping works to minimise flooding. Rehabilitation and lifting VSD	R 1 200 000.00	R 1 077 790.18	R 1 077 790.18		R -	R -	R 122 209.82
Rehabilitation of 2* 7.5 kw motors and 2* T3 Gorman Rupp pumping units. Lifting of the pumping units and the piping works to minimise flooding. Rehabilitation and lifting MCC	R 750 000.00	R 587 710.03	R 587 710.03			R -	R 162 289.97
Rehabilitation of water drainage system, installation of storm water drain pump	R 250 000.00	R 248 400.00	R 248 400.00			R -	R 1 600.00
Rehabilitation of water drainage system, installation of 0.5HP pump and drainage pipe	R 75 000.00	R 69 575.00	R 69 575.00			R -	R 5 425.00
Rehabilitation of water drainage system, installation of 0.5HP pump and drainage pipe (BB Substation)	R 75 000.00	R 69 575.00	R 69 575.00			R -	R 5 425.00
Rehabilitation of water drainage system, installation of 0.5HP pump and drainage pipe (Sakhile	R 75 000.00	R 69 575.00	R 69 575.00			R -	R 5 425.00
Replace 1*300A, 2* 80A and 1*200A circuit breaker and replace rusted cubicle. (Standerton Town - Charl Cilliers Street)	R 250 000.00	R 236 037.50	R 236 037.50			R -	R 13 962.50
Replace 1* 150A circuit breaker (Standerton Town - Handel Street)	R 50 000.00	R 48 530.00	R 48 530.00			R -	R 1 470.00
Replace 2* 150A, 2* 63A single phase, 2*80A 3 - phase circuit breakers and cubicle casing (Standerton Town - Coligny Street)	R 250 000.00	R 234 657.50	R 234 657.50			R -	R 15 342.50
Replace 1* 150A circuit breaker and 2 single phase meters. (Standerton Town Burger Street)	R 50 000.00	R 36 685.00	R 36 685.00			R -	R 13 315.00
Replace 6* wooden poles (Farms - R Line)	R 500 000.00	R 552 971.95	R 552 971.95			R -	-R 52 971.95
mattress or construction of gabions for embankment downstream. (Sakhile ward 11)							
Protection on both sides of the bridge. Cleaning of	R 1 100 000.00		R -	R -	R -	R -	R 1 100 000.00
	R 6 625 000.00	R 3 882 552.16	R 3 882 552.16	R -	R -	R -	R 2 742 447.84

2023/2024 Financial Year Projects

Project Description	Source of Funding	Approved Budget Capital Projects 2023/2024	Nov-23	Dec-23	Retention Withheld VAT incl	Retention owed	YTD	Remaining Budget
Upgrading of the Standerton Bulk Water Supply System phase 3	MIG 01/2324	R 27 952 311.00	R 2 496 933.83		R 833 158.20	R 1 244 997.04	R 10 828 515.84	R 17 123 795.16
Installation of VIP toilets	MIG 02/2324	R 2 000 000.00		R 1 196 946.45		R 132 994.05	R 1 196 946.45	R 803 053.55
Installation of boreholes	MIG 03/2324	R 1 000 000.00		R 898 276.50		R 99 808.50	R 898 276.50	R 101 723.50
Rehabilitation of 5km tarred road (Bauman Street) adjoining the R39 and R50 Provincial Roads	MIG 04/2324	R 400 000.00				R -	R -	R 400 000.00
Installation of High mast lights within Lekwa LM	MIG 05/2324	R 400 000.00				R -	R -	R 400 000.00
Fencing of Cemeteries within Lekwa LM	MIG 06/2324	R 184 289.00				R -	R -	R 184 289.00
Rehabilitation of Morgenzon landfill Site	MIG 06/2324	R 200 000.00				R -	R -	R 200 000.00
Upgrade of A Sub Station	INEP 01/2324	R 7 000 000.00			R 255 673.12	R 426 284.69	R 2 603 409.66	R 4 396 590.34
Construction of 11Kv, SWS at Rooikoppen (pre-Eng)	INEP 02/2324	R 1 500 000.00				R -	R -	R 1 500 000.00
Upgrade of the Standerton Landfill Site	Internal Funding	R 18 000 000.00			R 903 465.65	R 1 013 819.65	R 9 708 414.32	R 8 291 585.68
Renovation of Offices(new)	Internal Funding	R 5 000 000.00				R -	R -	R 5 000 000.00
Procurement of Laptops	Internal Funding	R 2 000 000.00						R 2 000 000.00
Procurement of Vehicles(new)	Internal Funding	R 10 000 000.00				R -	R 1 821 167.60	R 8 178 832.40
		R 75 636 600.00	R 2 496 933.83	R 2 095 222.95	R 1 992 296.97	R 2 917 903.93	R 27 056 730.37	R 48 579 869.63

Disclosure Property Plant & Equipment (Repairs & Maintenance)

Description	Approved Budget 2023 - 24	Monthly Movement December 2023	YTD Actual	% R & M
Building & Structure	R 650 000.00		R215 008.08	33%
Plant & Machinery	R 1 050 000.00		R2 902.91	0%
Furniture & Fixtures				0%
Motor Vehicle	R 4 367 990.00	R51 867.18	R858 558.09	20%
IT Equipments	R 1 306 680.00	R -	R -	0%
Roads	R 7 150 000.00	R 1 124 800.00	R 1 858 723.50	26%
Electricity Network	R 33 076 500.00	R 4 608 815.40	R20 185 614.36	61%
Landfill Sites (solid waste removal)	R 6 000 000.00	R 379 161.51	R780 346.53	13%
Waste Water Network	R 4 165 700.00	R 27 151.90	R 245 519.68	6%
Water Network	R 10 840 400.00	R 248 764.54	R2 414 636.31	22%
Other, Property Plant & Equipment	R 250 000.00	R 5 352.00	R 111 685.50	45%
	R 68 857 270.00	R 6 445 912.53	R 26 672 994.96	39%
Total Budget Expenditure	R1 361 479 615.00			
R & M YTD Expenditure	R 26 672 994.96			
R & M % Approved Budget	5%			

The Municipality has to date spent 39% of the total allocated budget towards repairs and maintainance. There expenditure was incurred mainly towards the repairs and maintenance of electricity network, motor, Water network, waster waste network and other PPE.

Cash Flow Statement – Part 3

The purpose of this statement is to keep an account of the different activities of Council. It also provides information on the mode of generation of funds required for repayment. The cash flow statement also helps to analyze the amount of cash that would be required to meet the operating costs.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The actual receipt (cash) received for the semester ending 31 December 2023 amounts to R501 078 053. The amount includes revenue collected from Property Rates R57 252 412, Electricity R170 347 067, Water R17 083 090, sanitation R9 333 162, Refuse R5 716 283, inter accounts transfers R66 536 416, Transfer receipts operational R129 829 000 and other revenues amounting to R1 895 170.

The actual payments made for the semester ending 31 December 2023 amounts to R510 000 007. The amount includes payment for employee related costs (employees) and councilors amounted to R150 897 667 and R7 331 635 respectively, bulk purchases electricity R31 188 222, bulk water R2 250 000 and contracted services amounting to R90 829 620 as well as inter account transfers amounting to R155 373 526, Capital expenditure amounted to R36 387 444, and general expenses amounted to R27 566 720.

The Municipality's cash flow status for all bank accounts a favorable bank balance of R4 076 286 including a favorable closing balance on primary account of R1 766 458. It should be noted that though the municipality has a favorable bank balance at the end of the reporting month there were still outstanding creditors of R2 903 267 261.61 as disclosed on the creditors age analysis below and outstanding debtors of R1 959 226 954.

MONTHLY CASH FLOWS	Budget Year 2023/2024												Budget Year 2023/24 - Full
	July Actual	August Actual	Sept. Actual	October Actual	November Actual	December Actual	January Budgeted	February Budgeted	March Budgeted	April Budgeted	May Budgeted	June Budgeted	
Rands													
Cash Receipts By Source													
Property rates	29 242 090	6 496 705	5 353 470	8 056 195	5 013 910	3 090 042	16 949 284	16 949 284	16 949 284	16 949 284	16 949 284	16 949 284	203 391 413
Service charges - electricity revenue	32 067 137	22 527 710	32 240 653	29 847 121	27 926 747	25 737 699	38 986 457	38 986 457	38 986 457	38 986 457	38 986 457	38 986 457	467 837 484
Service charges - water revenue	3 701 813	3 535 965	1 920 052	3 262 562	3 132 147	1 530 551	7 031 101	7 031 101	7 031 101	7 031 101	7 031 101	7 031 101	84 373 209
Service charges - sanitation revenue	1 456 121	1 525 181	1 335 559	2 379 320	1 790 103	846 878	3 549 887	3 549 887	3 549 887	3 549 887	3 549 887	3 549 887	42 598 638
Service charges - refuse revenue	1 047 940	981 154	985 149	1 120 775	937 109	644 156	2 759 612	2 759 612	2 759 612	2 759 612	2 759 612	2 759 612	33 115 342
Rental of facilities and equipment	123 019	140 977	189 172	157 756	178 955	169 887	208 506	208 506	208 506	208 506	208 506	208 506	2 502 068
Interest earned - external investments	32 797	129 847	163 417	75 152	62 996	62 996	53 167	53 167	53 167	53 167	53 167	53 167	638 000
Interest earned - outstanding debtors	10 755 254	831 974	534 247	820 036	1 143 483	460 608	9 719 898	9 719 898	9 719 898	9 719 898	9 719 898	9 719 898	116 638 775
Fines, penalties and forfeits	66 171	54 189	64 400	22 310	35 230	55 330	379 167	379 167	379 167	379 167	379 167	379 167	4 550 000
Transfer receipts - operational	69 905 000	3 261 000	-	-	739 000	55 924 000	14 496 450	14 496 450	14 496 450	14 496 450	14 496 450	14 496 450	173 957 400
Inter Accounts Transfers	-	31 281 187	7 411 107	13 300 000	14 544 122	-	-	-	-	-	-	-	-
Other revenue	-	1 505 581	137 898	16 095	188 786	104 827	293 353	293 353	293 353	293 353	293 353	293 353	3 520 230
Cash Receipts by Source	148 397 342	72 271 469	50 335 124	59 057 322	55 692 588	88 626 975	94 426 880	94 426 880	94 426 880	94 426 880	94 426 880	94 426 880	1 133 122 559
Other Cash Flows by Source													
Transfer receipts - capital	11 788 000	8 200 000	-	-	-	7 540 000	3 386 383	3 386 383	3 386 383	3 386 383	3 386 383	3 386 383	40 636 600
Total Cash Receipts by Source	160 185 342	80 471 469	50 335 124	59 057 322	55 692 588	96 166 975	97 813 263	97 813 263	97 813 263	97 813 263	97 813 263	97 813 263	1 173 759 159
Cash Payments by Type													
Employee related costs	26 405 547	25 199 726	24 523 024	23 837 981	26 612 861	24 318 528	27 185 043	27 185 043	27 185 043	27 185 043	27 185 043	27 185 043	326 220 520
Remuneration of councillors	1 161 949	1 124 022	1 139 439	1 127 106	1 636 581	1 142 538	1 159 392	1 159 392	1 159 392	1 159 392	1 159 392	1 159 392	13 912 707
Bulk purchases - Electricity	13 504 665	1 981 264	3 420 373	1 136 525	1 522 977	9 622 417	44 296 568	44 296 568	44 296 568	44 296 568	44 296 568	44 296 568	531 558 818
Bulk purchases - Water	-	-	2 000 000	-	250 000	-	4 583 333	4 583 333	4 583 333	4 583 333	4 583 333	4 583 333	55 000 000
Other materials	23 733	640 659	1 500 468	162 047	3 775 035	2 073 231	1 524 583	1 524 583	1 524 583	1 524 583	1 524 583	1 524 583	18 295 000
Contracted services	21 758 039	17 184 547	11 912 620	7 020 283	10 794 219	22 159 912	10 716 479	10 716 479	10 716 479	10 716 479	10 716 479	10 716 479	128 597 743
Inter Accounts Transfers	90 000 000	31 892 187	-	10 340 000	-	23 141 339	-	-	-	-	-	-	-
Other expenditure	392 934	18 209	2 122 693	5 395 719	10 541 754	9 095 411	5 129 950	5 129 950	5 129 950	5 129 950	5 129 950	5 129 950	61 559 396
Cash Payments by Type	153 246 867	78 040 615	46 618 617	49 019 662	55 133 427	91 553 376	94 595 349	94 595 349	94 595 349	94 595 349	94 595 349	94 595 349	1 135 144 184
Other Cash Flows/Payments by Type													
Capital assets	11 322 019	4 070 481	4 252 696	9 350 799	4 127 696	3 263 752	6 303 050	6 303 050	6 303 050	6 303 050	6 303 050	6 303 050	75 636 600
Total Cash Payments by Type	164 568 886	82 111 096	50 871 313	58 370 461	59 261 123	94 817 128	100 898 399	100 898 399	100 898 399	100 898 399	100 898 399	100 898 399	1 210 780 784
NET INCREASE/(DECREASE) IN CASH HELD	- 4 383 543	- 1 639 627	- 536 189	686 862	- 3 568 535	1 349 846	- 3 085 135	- 3 085 135	- 3 085 135	- 3 085 135	- 3 085 135	- 3 085 135	- 37 021 625
Cash/cash equivalents at the month/year beg	9 857 650	5 474 107	3 834 480	3 298 291	3 985 152	416 617	1 766 464	- 1 318 672	- 4 403 807	- 7 488 942	- 10 574 078	- 13 659 213	- 16 744 349
Cash/cash equivalents at the month/year end	5 474 107	3 834 480	3 298 291	3 985 152	416 617	1 766 464	- 1 318 672	- 4 403 807	- 7 488 942	- 10 574 078	- 13 659 213	- 16 744 349	- 16 744 349

Debtors Age Analysis & Debtors Payment Statistics – Part 4 a & b

The debtor's age analysis analyses amounts owed by customers for services rendered by the municipality according to the length of time that those amounts have remained unpaid.

The debtor's balance has decreased by R3 million when compared to the prior month ending December 2023.

The debtors balance for the reporting month amount to R1.9 billion, Outstanding Debtors that are older than 90 days' amounts to R1.8 billion of the total outstanding debts.

The debt from households amounts to R1.4 billion, government to R72 million while business owed R216 million and other customers owed an amount of R217million. Electricity contributes R275 million of the outstanding debt, Property assessment rates R369 million, Water R334 million, Waste water R175 million, refuse R134 million, income from other sources R132 million while interest on arrears amounts to R536 million

MP305 Lekwa - Supporting Table SC3 Monthly Budget Statement - aged debtors - December 2023

Description	NT Code	Budget Year 2023/2024										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	6 041	5 049	4 548	5 832	3 906	3 745	22 493	282 674	334 288	318 651		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	36 320	19 059	12 207	12 287	14 120	8 561	27 017	145 768	275 340	207 754		
Receivables from Non-exchange Transactions - Property Rates	1400	(15 651)	1 016	7 799	7 330	6 793	11 417	34 823	316 331	369 859	376 695		
Receivables from Exchange Transactions - Waste Water Management	1500	3 352	2 823	2 535	2 480	2 442	2 303	12 724	147 087	175 747	167 036		
Receivables from Exchange Transactions - Waste Management	1600	2 384	2 090	1 905	1 843	1 827	1 769	9 861	112 749	134 427	128 048		
Receivables from Exchange Transactions - Property Rental Debtors	1700												
Interest on Arrear Debtor Accounts	1810	11 398	11 117	10 880	10 636	10 322	10 144	55 671	416 510	536 678	503 283		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820												
Other	1900	5 021	2 258	(7 019)	7 371	732	2 412	6 126	115 988	132 889	132 629		
Total By Income Source	2000	48 865	43 410	32 855	47 781	40 143	40 352	168 714	1 537 106	1 959 227	1 834 096		
2019/20 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	15 512	11 430	(3 090)	5 455	6 983	9 265	9 377	18 026	72 958	49 106		
Commercial	2300	4 562	4 511	9 533	13 832	7 240	4 181	22 648	150 121	216 627	198 021		
Households	2400	24 213	22 900	21 684	23 882	21 363	20 520	116 921	1 201 126	1 452 609	1 383 811		
Other	2500	4 579	4 569	4 728	4 612	4 557	6 387	19 768	167 833	217 034	203 158		
Total By Customer Group	2600	48 866	43 410	32 855	47 781	40 143	40 352	168 714	1 537 106	1 959 227	1 834 096		

Debtors Breakdown per Ward

WARD	202401 (Current)	202312 (30 Days)	202311 (60 Days)	202310 (90 Days)	202309 (120 Days)	202308 (150 Days)	202307 (180 Days)	202306 (210 Days)	202305 (240 Days)	202304 (270 Days)	202303 (300 Days)	202302 (330 Days)	202301 (360 Days)	202212 (390 + Days)	Total
	- 9 661 277.40	37 654 871.29	19 894 926.84	16 622 631.13	22 105 584.97	14 377 671.22	14 958 125.84	10 961 005.11	10 997 189.15	9 772 657.97	10 943 055.56	10 140 621.41	9 710 380.77	559 994 372.35	738 471 816.21
WARD 1	- 492.03	1 480 228.47	1 467 685.02	1 452 505.74	1 443 668.98	1 429 633.84	1 418 111.35	1 343 050.85	1 361 686.80	1 349 868.55	1 369 204.17	1 317 648.28	1 296 676.32	84 670 491.67	101 399 968.01
WARD 2	- 3 512.75	1 570 366.86	1 480 164.23	1 527 951.40	1 519 016.06	1 473 931.86	1 453 768.42	1 401 974.83	1 382 790.83	1 377 628.31	1 360 303.92	1 317 986.22	1 340 216.69	77 968 900.91	95 171 487.79
WARD 3	- 625.32	1 376 729.87	1 364 159.22	515 397.92	1 496 625.16	1 340 033.65	1 319 291.77	1 473 832.67	1 053 670.46	1 061 191.91	1 048 350.23	1 032 028.94	1 125 011.86	65 521 946.41	79 727 644.75
WARD 4	- 1 225 005.53	2 093 787.17	1 266 171.76	708 932.69	1 497 113.53	1 204 102.04	1 067 055.00	936 757.86	964 084.59	895 321.97	854 715.92	831 580.37	847 160.65	43 838 718.08	55 780 496.10
WARD 5	- 656.76	2 125 728.36	2 107 735.26	2 097 029.04	2 077 916.07	2 084 615.64	2 414 730.52	1 940 362.20	1 950 050.02	1 862 047.66	1 832 766.36	1 819 884.27	1 817 456.02	119 795 512.03	143 925 176.69
WARD 6	- 18 743.35	1 120 613.15	1 116 206.04	1 112 669.49	1 107 745.16	1 115 849.77	1 111 932.61	1 079 773.03	1 060 409.21	1 072 043.03	1 013 581.92	969 693.11	949 096.02	70 265 951.87	83 076 821.06
WARD 7	-	610 991.34	613 009.31	603 631.82	822 035.87	610 237.58	605 750.45	579 905.32	644 967.02	617 106.36	578 264.38	573 148.02	587 043.47	39 660 387.09	47 106 478.03
WARD 8	- 762 047.56	5 007 332.85	3 991 106.89	2 701 334.11	3 813 308.85	3 253 493.70	2 766 291.90	2 937 864.02	2 166 010.86	2 677 148.11	2 376 897.29	1 853 733.52	1 794 541.91	42 478 872.65	77 055 889.10
WARD 9	-	19 694.87	19 624.64	- 2 799 481.19	19 049.10	22 367.88	22 771.69	19 713.64	19 557.97	19 200.18	18 850.00	17 968.12	17 806.75	669 469.96	- 1 913 406.39
WARD 10	- 2 446 485.08	2 845 565.44	2 530 336.56	963 966.23	3 808 335.39	5 820 171.55	5 345 844.39	3 362 310.11	1 324 921.46	- 271 521.73	104 055.36	287 268.89	466 544.13	12 300 363.47	36 441 676.17
WARD 11	-	2 620 569.93	2 752 576.26	2 730 499.65	3 103 849.85	2 854 085.10	2 900 109.11	2 476 063.24	2 336 128.76	2 006 213.50	1 782 988.92	1 771 761.83	2 457 132.05	122 042 928.42	151 834 906.62
WARD 12	-	123 927.21	123 281.16	123 330.42	124 346.69	119 295.78	118 723.82	117 657.14	118 003.59	114 450.59	113 602.84	113 600.00	114 381.41	5 340 435.41	6 765 036.06
WARD 13	-	1 234.70	1 225.97	1 217.24	1 208.52	1 199.79	1 191.07	1 137.92	1 129.63	1 109.64	1 090.35	1 082.77	1 075.19	50 451.52	64 354.31
WARD 14	- 216 702.83	2 291 267.30	2 328 592.39	2 248 346.50	2 500 424.11	2 210 800.72	2 640 149.36	1 951 678.23	1 871 708.06	1 822 827.28	1 822 861.04	1 875 395.92	1 838 312.69	147 337 215.73	172 522 876.50
WARD 15	- 3 910.07	2 262 004.05	2 353 349.12	2 244 939.82	2 340 500.63	2 225 598.55	2 208 489.03	2 144 551.92	2 233 746.07	2 160 022.18	2 095 621.20	2 093 543.56	2 267 201.58	145 171 424.32	171 797 081.96
	-	-	-	-	-	-	-	-	-	-	-	-	-	1 348.21	- 1 348.21
TOTAL	-14 339 458.68	63 204 912.86	43 410 150.67	32 854 902.01	47 780 728.94	40 143 088.67	40 352 336.33	32 727 638.09	29 486 054.48	26 537 315.51	27 316 209.46	26 016 945.23	26 630 037.51	1 537 106 093.68	1 959 226 954.76

Transfer & Grants Subsidies (Indigent support)

To date 2 136 households are active on registered households for indigent support compared to a total of 1 731 for the period ended December 2022. The current outstanding debts balances of the registered indigent households amounted to R110 089 635.85 as at 31 December 2022, while subsidies for the current month amounted to R1 044 789.65

Wards No.	Number of Active Indigents	Number of Active Indigents
	December 2022	December 2023
Ward 1	146	154
Ward 2	88	182
Ward 3	177	205
Ward 4	76	82
Ward 5	185	225
Ward 6	111	143
Ward 7	133	267
Ward 8	44	44
Ward 9	0	11
Ward 10	21	65
Ward 11	249	241
Ward 12	0	0
Ward 13	0	0
Ward 14	237	149
Ward 15	264	368
Total Indigents	1731	2136

The municipality has embarked on a program to register indigent households in all wards.

Debtors Payment Statistics – Part 4 (b)

The table shows the amount collected by the municipality for services rendered against the service charges billing.

The average collection rate for the reporting period ending 31 December 2023 is 68%, taking in to account the levied amount of 404 345 233.54 and the actual payments amounting to 274 933 135.42. The average collection rate increased by 6% when compared to the average collection for the first half of the financial year ended December 2022 of 62%.

Reporting Month	Revenue Collected	Revenue Levied	Collection Rate
Jul-23	39 813 195.97	122 803 419.38	32%
Aug-23	44 367 893.59	2 930 137.33	1514%
Sep-23	50 285 019.09	108 103 140.25	47%
Oct-23	60 789 878.39	55 611 906.34	109%
Nov-23	45 030 706.43	48 865 184.09	92%
Dec-23	34 646 441.95	66 031 446.15	52%
Total	274 933 135.42	404 345 233.54	68%

Payment Statistics Revenue Streams

Column1	Column2	Column3	Column4
July 2023 - June 2024			
Revenue Stream	Revenue Collected	Revenue Levied	Collection Rate
Electricity	R 173 844 142.92	R 243 126 845.59	72%
Water	R 16 320 208.28	R 72 303 294.93	23%
Refuse	R 5 522 533.27	R 14 798 561.86	37%
Sewerage	R 9 093 025.04	R 21 096 169.89	43%
Rates	R 34 288 289.53	R 43 588 358.72	79%
Interest	R 4 371 925.13	R 64 678 668.23	7%
	R 243 440 124.17	R 459 591 899.22	53%

In an effort to ensure that there is a continuous implementation of debt collection, a plan should be developed that will focus on the various categories of customers (business, residential, government, farms etc) with a clear time frames and clear activities to be embarked on. The plan should also include the various resources required (human resources, vehicles, machinery & equipment, etc.) to enable the implementation of debt collection.

An area of concern is the high litigation and court interdict against the Municipality for illegally disconnecting customers. A procedure manual should be developed in line with credit control & debt collection policy that will outline activities that needs to be performed prior a customer is disconnected or handed over to the attorneys for collection. These activities may include amongst others issuing of notice, correcting accounts where there is an objection, addressing issues of the prescribed debt in line with the Prescription Act as well as the Municipal Systems Act.

Whilst the Municipality is implementing debt collection, it is imperative that a Customer Care Unit be established to address customer queries as well as building the consumer confidence.

The table shows the amount collected by the municipality for service rendered against the service charges billing.

Creditors Age Analysis– Part 5

The creditors age analysis indicates an analysis of unpaid received invoices, aged by due date. The creditors are broken down into eight ageing periods.

The Creditors Age Analysis shows an outstanding amount of R2 893 143 991 of which R2 323 412 805.97 is owed to Eskom. The municipality has taken several initiatives to ensure that the arrears amount owed to Eskom is paid. The latest outstanding amount for Department of Water and Sanitation is R544 305 236.

The Provincial Head: Gauteng of the Department of water and sanitation has approved recommendations that Lekwa Local Municipality’s Register No.20016625 for the existing lawful water use (Permit No. 17/177/79) of 7 300 000m3/a be closed with effect from 2011/10/28 and that water use Licence No C11M/A/1490 issued to Lekwa Local Municipality be the only legal instrument confirming water allocation for the municipality. A recommendation that a reconciliation of the municipal account be performed and create revised bills based on the corrected volumes was also approved by the Chief Financial Officer of the department.

The Municipality owes SARS R4 894 523.23 & R1 343 143 relating to PAYE & VAT respectively. The Municipality does not maintain sufficient working capital thus resulting in statutory payments and some other creditors not being paid timeously. The outstanding creditors are continuously increasing thus indicating that the Municipality is entering into obligations that it’s unable to service. Unless all interventions are implemented (Revenue enhancement strategy, financial recovery, cost curtailments & installation of smart meters) the Municipality will face a severe financial sustainability issues & distress, that might require the Municipality to consider interventions as entrenched within the Municipal Finance Management Act.

MP305 Lekwa - Supporting Table SC4 Monthly Budget Statement - Creditors age analysis - M06 December 2023

Description	NT Code	Budget Year 2023/24								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	54 136 227.00	57 936 992.00	54 212 208.00	-	-	-	-	2 157 127 378.00	2 323 412 805.00
Bulk Water	0200	5 539 859.00	5 539 859.00	-	6 987 656.00	-	-	-	526 237 862.00	544 305 236.00
PAYE deductions	0300	4 894 523.00	-	-	-	-	-	-	-	4 894 523.00
VAT (output less input)	0400	1 343 143.00	-	-	-	-	-	-	-	1 343 143.00
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	3 468 526.00	2 848 271.00	447 778.00	1 291 692.00	-	-	-	-	8 056 267.00
Auditor General	0800	3 610 293.00	2 937 489.00	39 364.00	-	-	-	-	-	6 587 146.00
Other (Munsoft & Hwibidu Group)	0900	3 452 449.00	1 086 612.00	5 810.00	-	-	-	-	-	4 544 871.00
Retention		902 384.00	3 383 432.00	6 766 865.00	-	-	-	-	10 150 298.00	21 202 979.00
Total By Customer Type	1000	77 347 404.00	73 732 655.00	61 472 025.00	8 279 348.00	-	-	-	2 693 515 538.00	2 893 143 991.00

External Investment (Call accounts) – Part 6

The table indicates the investments and movements on the municipality's grants call accounts.

The Closing balance on all call accounts as at 31 December 2023 amounts to R21 101 430.60. Municipality for the reporting month capitalized R65 421.36 interest on all call accounts. Year to date Interest as at 31 December 2023 amounts to R431 230.50.

Account name	Account number	Opening balance	Deposits	Interest Capitalised	Withdrawals	Closing balance
GRANTS ACCOUNT	3788153059	3 075 652.27	7 019 293.01	23 911.42	-3 000 000.00	7 118 856.70
MIG	37881152036	19 017.96	13 922 046.00	41 509.94		13 982 573.90
TOTAL		3 094 670.23	20 941 339.01	65 421.36	-3 000 000.00	21 101 430.60

Supply Chain Report (Deviations) – Part 7

The report indicates instances where the municipality did not adhere fully to the requirements of the Supply Chain Management policy when procuring certain goods or services. Deviations approved by the Accounting Officer, do not result in the municipality over spending on the appropriated budget, neither does it reflect any fruitless, wasteful nor unauthorized expenditure. In most cases the deviations are as a result of urgent nature, sometimes limited supplies and or strip and quote situations.

For the reporting period, the Municipality incurred the below deviation.

ORDER NUMBER	DATE	SUPPLIER	AMOUNT	DESCRIPTION	REASON
43132	2023/12/11	TWK Motors (PTY) LTD t/a Toyota Standerton	R696 851.55	1 x Toyota Hilux 2.4GD – 6 Raider X4x4 For EM	Using of RT contract impractical as delivery of vehicle will only be in June 2024, Local Toyota supplier has stock of vehicle

Fruitless and wasteful expenditure

The Municipality was unable to pay its creditors on time resulting to interest and penalties as per the breakdown.

Lekwa Local Municipality		
31-Dec-23		
Fruitless & Wasteful Expenditure		
		<u>2023/12/31</u>
Opening Balance	R	414 275 020.00
Current Year Fruitless Wasteful Expenditure	R	93 088 564.46
Interest on Arrear Eskom accounts	R	83 584 823.02
Interest on Arrear Water accounts	R	9 503 603.79
Interest on Arrear Telkom, AGSA, SARS, Pension and Munsoft accounts		
Interest on Arrear Telkom Account		
Interest on Arrear A.G SA Account	R	137.65
Interest on Arrear PAYE Account		
Interest on Arrear VAT Account		
Penalties VAT		
Penalties PAYE		
Interest on Arrear Nashua Account		
Interest on Pension Fund		
Interest on Sanlam Account		
Interest on Munsoft Account		
BALANCE	R	507 363 584.46

Grants & Subsidies – Part 8 Received & Expenditure – Part 8

The municipality has to date received R166 982 000.00 on the grants and subsidies as allocated.

	Approved Budget 2023/2024	YTD Allocation Received July 2023	Allocation Transferred	Outstanding Allocation
Municipal Infrastructure Grant	R 33 828 000.00	R 25 028 000.00		R 8 800 000.00
Local Government Financial Management Grant	R 2 850 000.00	R 2 850 000.00		R -
Expanded Public Works Programme Integrated Grant for Municipalities	R 1 643 000.00	R 1 150 000.00		R 493 000.00
Equitableshares	R 167 773 000.00	R 125 829 000.00		R 41 944 000.00
Municipal Disaster Recovery Grant	R 6 625 000.00	R 6 625 000.00		R -
Integrated National Electrification Programme Grant	R 8 500 000.00	R 5 500 000.00		R 3 000 000.00
	R 221 219 000.00	R 166 982 000.00	R -	R 54 237 000.00

The Municipality has to date spent an amount of R19 763 460.27 on conditional grants received.

Type of Grant	YTD Allocation Received July - June 2024	YTD Expenditure July - June 2024	Remaining Balance
Municipal Infrastructure Grant	R 25 028 000.00	R 11 105 953.31	R 13 922 046.69
Local Government Financial Management Grant	R 2 850 000.00	R 1 469 743.33	R 1 380 256.67
Municipal Disaster Response Grant	R 6 625 000.00	R 3 882 553.97	R 2 742 446.03
Expanded Public Works Programme Integrated Grant for Municipalities	R 1 150 000.00	R 701 800.00	R 448 200.00
Integrated National Electrification Programme (Municipal) Grant	R 5 500 000.00	R 2 603 409.66	R 2 896 590.34
	R 41 153 000.00	R 19 763 460.27	R 21 389 539.73

Contracted Services

	Actual Budget 2023-24		YTD Actual		YTD Budget		YTD Variance		YTD Variance %	
	Approved Budget 2023-24		Dec-23		Jun-24		Jun-24		Aug-23	
HIRE OF MACHINES	R	2 750 000.00			R	1 375 000.00	R	1 375 000.00		100%
LEGAL COST	R	12 000 000.00	R	16 127 124.58	R	6 000 000.00	R	(10 127 124.58)		-169%
VALUATION ROLL	R	2 900 000.00	R	1 673 558.39	R	1 450 000.00	R	(223 558.39)		-15%
PREPARATION:AFS	R	2 950 000.00	R	4 807 251.57	R	1 475 000.00	R	(3 332 251.57)		-226%
SECURITY SERVICES	R	36 473 973.00	R	15 001 765.88	R	18 236 986.50	R	3 235 220.62		18%
HIRE OF WATER TANKERS	R	4 082 000.00	R	4 347 060.85	R	2 041 000.00	R	(2 306 060.85)		-113%
Accounting Printing and Posting	R	3 000 000.00	R	1 555 670.00	R	1 500 000.00	R	(55 670.00)		-4%
Electrical Infrastructure	R	31 276 500.00	R	17 816 864.36	R	15 638 250.00	R	(2 178 614.36)		-14%
Vending Commission 4% OF PRE PAID					R	-	R	-		
IT or Network Services	R	5 023 320.00	R	9 671 930.13	R	2 511 660.00	R	(7 160 270.13)		-285%
Insurance Contract	R	4 000 000.00	R	18 984.21	R	2 000 000.00	R	1 981 015.79		99%
Risk Management software	R	60 000.00			R	30 000.00	R	30 000.00		100%
PMS	R	700 000.00	R	-	R	350 000.00	R	350 000.00		100%
Software License	R	210 300.00	R	-	R	105 150.00	R	105 150.00		100%
Skills Audit	R	400 000.00			R	200 000.00	R	200 000.00		100%
Leasing of Printing & Photocopy Machines	R	2 080 000.00	R	923 549.07	R	1 040 000.00	R	116 450.93		11%
Upgrade & Operations of landfill sites	R	5 750 000.00	R	780 346.53	R	2 875 000.00	R	2 094 653.47		73%
	R	113 656 093.00	R	72 724 105.57	R	56 828 046.50	R	(15 896 059.07)		

The municipality has for the first half of the year incurred expenditure on contracted services to the value of R72 724 105.57. The expenditure has Increased by R46 723 974.31 when compared to the reporting period ended 31 December 2023 where the accumulated expenditure was R26 000 131.26

Non-financial SDBIP Performance – Part 9

9.1 The 2023/2024 SDBIP was approved by the Executive Mayor on 2023-07-14 and a memorandum was issued informing departments of the approval of the SDBIP as well as dates by which quarterly reports will be due for submission.

9.2 This SDBIP report is done in line with the National Key Performance Areas (KPA's) for Local Government which are:

- (a) Basic service delivery
- (b) Municipal transformation and organisational development
- (c) Local economic development
- (d) Municipal financial management and viability
- (e) Good governance and public participation
- (f) Spatial rational

9.3 Formulation of the problem

9.3.1 It had been noted that with the delay in timeously submitting quarterly reports according to a due date which would have been communicated well in advance of the submission date which was 2024-01-05.

The negative impact of delayed submissions affects the turnaround time to allow for sufficient review and verification of submitted performance information prior to submission to Internal Audit;

9.3.2 The following is a summary in respect of when submissions were received:

DEPARTMENT	SUBMISSION DATE	SUBMISSION DATE TO INTERNAL AUDIT
Office of the Municipal Manager	2024-01-05	2024-01-11
Technical Services	2024-01-08	2024-01-10
Community Services & Safety	2024-01-08	2024-01-10
Budget & Treasury	2024-01-10	2024-01-11
Planning & Economic Development	2024-01-05	2024-01-11
Corporate Services	2024-01-05	2024-01-10

9.3.3 It must be noted that as and when submissions are received, the information is checked against the supporting portfolio of evidence (PoE) to check if the report and supporting PoE corresponds. Communication has been ongoing to ensure submissions are made as required. As and when reports and supporting PoE were received, the information was reviewed for Departments to update as required.

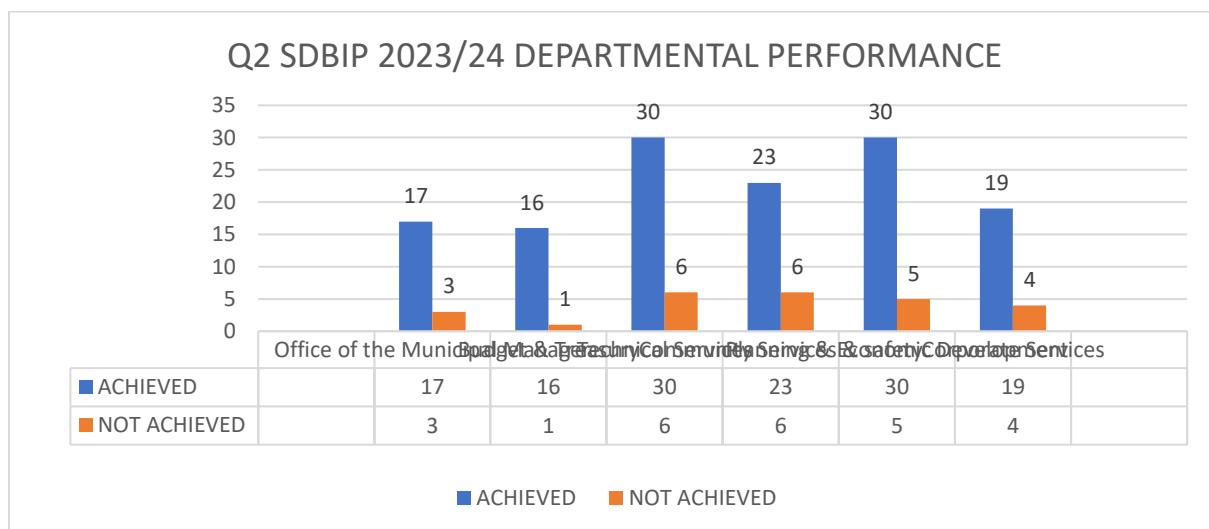
9.3.4 A Request for Information (RFI) was issued on 2024-01-03 by Internal Audit for submissions to be made by 2024-01-11, noting that the non-submission of information by Departments would result in a limitation of scope for the audit of the midyear performance report. Once submission deadlines are not adhered to, it negatively impacts on the turnaround time to identify any issues and do a review before submission to Internal Audit.

9.3.5 The report intends to outline progress achieved against predetermined objectives for the 2nd quarter as well as at midyear, with the SDBIP report attached as **Annexure A**;

9.3.6 The table below is a summary of performance per Department for the 2nd quarter for the period 1st October to 31st December 2023:

DEPARTMENT	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED	KPIs FOR REPORTING IN Q2	
Office of the Municipal Manager	17	85	3	15	20	100
Budget and Treasury Office	16	94	1	6	17	100
Technical Services	30	83	6	17	36	100.00
Community Services and Safety	23	79	6	21	29	100.00
Planning & Economic Development	30	86	5	14	35	100.00
Corporate Services	19	83	4	17	23	100.00

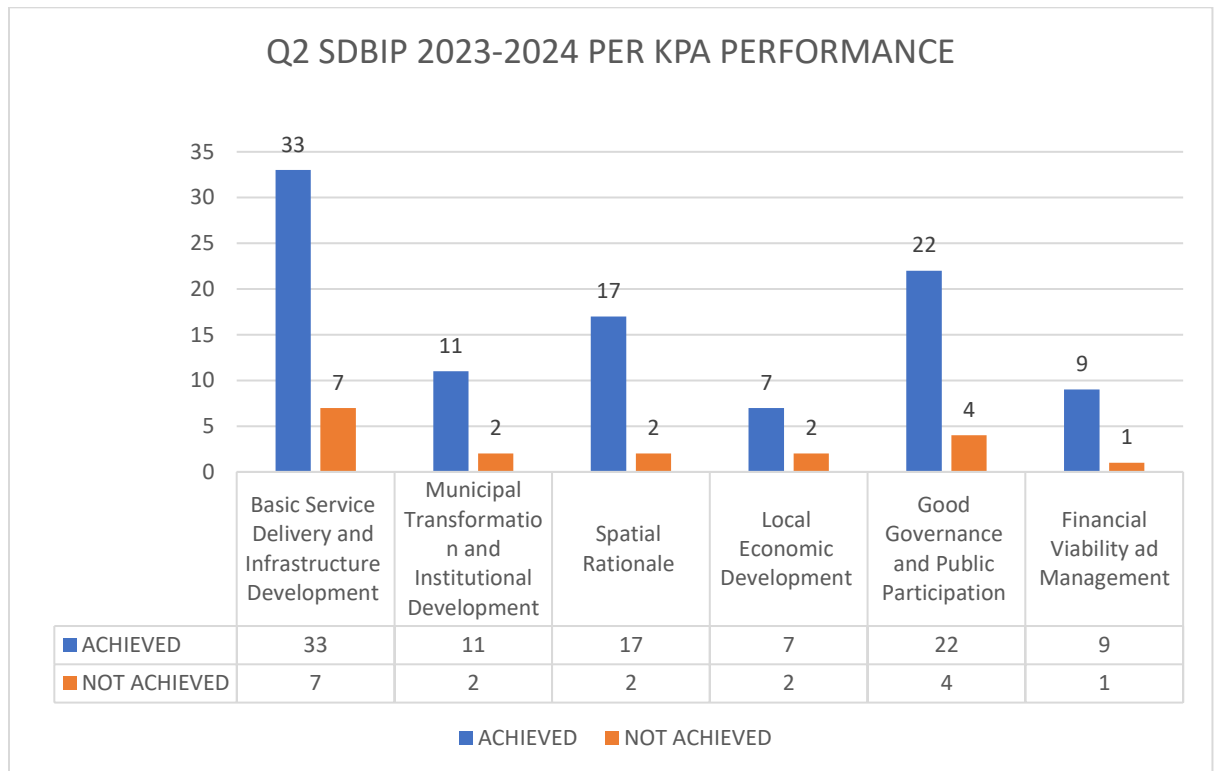
9.3.7 The following is a graphic representation of performance per Department as at the 2nd quarter ended 31st December 2022:



9.3.8 The 2nd quarter performance is based on the audited performance reports and herewith is a summary of the audited performance information per Key Performance Area (KPA):

KPAs	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED	KPIs FOR REPORTING IN Q1
Basic Service Delivery and Infrastructure Development	33	83	7	17	40
Municipal Transformation & Institutional Development	11	85	2	15	13
Spatial Rationale	17	89	2	11	19
Local Economic Development	7	78	2	22	9
Good governance and public Participation	22	85	4	15	26
Financial Viability and Management	9	90	1	10	10
TOTALS	99	85%	18	15%	117

9.3.9 The following is a graphic representation of performance per KPA as at the 2nd quarter of the 2022/2023 financial year:

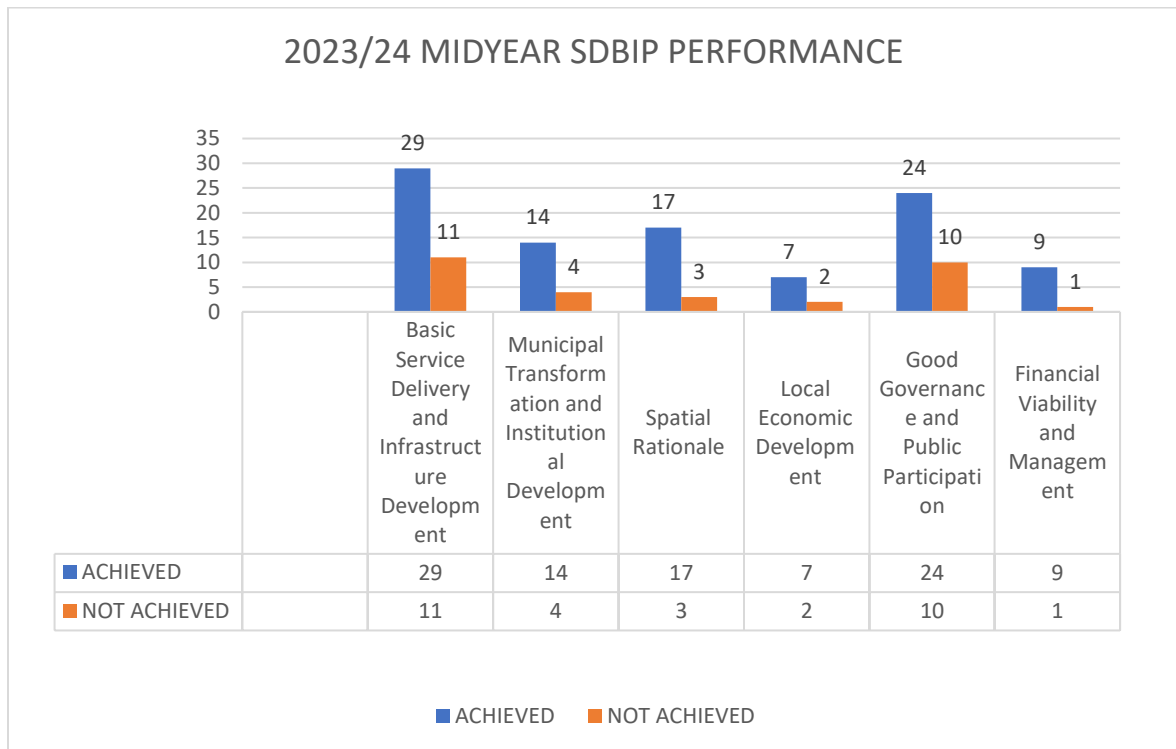


9.3.10 Noting that section 72 of the MFMA requires that an assessment of municipal performance for the first six months of the financial year be done, the 2023/2024 midyear performance assessment is based on

the audited 1st and 2nd quarter performance reports and herewith is a summary of the performance information per Key Performance Area (KPA) for the period 1st July – 31st December 2023:

DEPARTMENT	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED	KPIs FOR REPORTING AT MIDYEAR
Basic Service Delivery and Infrastructure Development	29	73%	11	27%	40
Municipal Transformation and Institutional Development	14	78%	4	22%	18
Spatial Rationale	17	85%	3	15%	20
Local Economic Development	7	78%	2	22%	9
Good Governance and Public Participation	24	71%	10	29%	34
Financial Viability and Management	9	90%	1	10%	10
TOTALS	100	76%	31	24%	131

9.3.11 The following is a graphic representation of performance per KPA as at midyear for the 2023/2024 financial year:



9.3.12 The following are matters to be noted in respect of the overall midyear performance and achievement against predetermined objectives for the period under review:

- (a) The overall midyear performance of 76%, which is a slight improvement in performance when compared to the midyear performance for the 2022/2023 financial year which was 73%;
- (b) Adherence to submission deadlines continues to hamper sufficient time for the review and subsequent auditing of performance information;
- (c) There a number of cross-cutting indicators that each Department must report against, and it has been noted that not all Departments are reporting against these targets, which has a direct impact on the achievement against their performance plans, signed as part of their performance agreements;
- (d) The blockages/challenges to achieving targets and corrective measures are still not adequately substantiated, or not included at all, which can be further improved on, making sure that targets that are not achieved in a specific quarter is carried over to the next quarter which will ensure overall achievement by the end of the financial year;
- (e) Budget expenditures, commensurate to the approved budgets is not reported on which still remains a concern as there must be a direct link between financial and non-financial performance reporting.
- (f) The said midyear performance will be used as the basis for reviewing and adjusting indicators (performance measures) and targets for the remainder of the year.

9.3.13 Failure by departments to adequately achieve and report against these quarterly targets may have a negative impact on the overall achievement against organizational objectives and results;

Outstanding matters on the past year's annual report – Part 10

- (a) As prescribed in terms of section 72(1)(a)(iii) of the MFMA the Accounting Officer must also assess the performance of the municipality in the first 6 months taking into account the past year's Annual Report, and progress on resolving the problems identified in the Annual Report. The detail of progress made with the implementation of corrective measures to address findings will be further reflected in the 2022/2023 audit action plan.
- (b) An assessment of implementing the drivers of internal control based on significant findings and deficiencies as identified during the audit by AGSA of the financial statements, the annual performance report and compliance with legislation, significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risks as identified, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.
- (c) The following are key findings as raised by the Auditor-General in the 2022/2023 Audit Report:
 - (i) The municipality improved from a disclaimer for the past 4 years, to a qualification in 2022/2023, noting that some of the issues were raised in previous years, while new issues have also been raised.
 - (ii) The Municipality's opinion on annual performance report remains unchanged as a disclaimer obtained in the previous financial period.
 - (iii) AG's synopsis of the basis of the qualification on the AFS is outlined below:
 - Irregular expenditure
 - The municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the year, as required by section 125(2)(d) of the MFMA. I was unable to quantify the understatement, as it was impracticable to do so. Consequently, I was unable to determine

whether any adjustments were necessary to irregular expenditure stated at R178,46 million (2021-22: R618,81 million), disclosed in note 47 to the financial statements as well as the adjustments made to irregular expenditure in the prior period errors disclosure in note 41 to the financial statements.

- Property, plant and equipment
 - The municipality did not appropriately account for changes in useful lives for some of the property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. Changes in remaining useful lives of the assets that were incorrectly accounted as an error instead of change in accounting estimates. Consequently, the opening balance of the property, plant and equipment was understated by R26,86 million and the opening balance of accumulated depreciation was overstated by the same amount
- Cash flow statement
 - Interest received bank and other financial assets
The municipality's cash received from interest received on bank account and other financial assets in the cash flow statement was incorrectly calculated as it did not include the other financial assets which constitute a departure from GRAP 2, Cash flow statement. Consequently, the interest received on bank accounts and other financial assets is understated by R105,52 million in the cash flow statements.
 - Suppliers
The municipality's cash paid to suppliers was incorrectly calculated as it included unallocated deposits, income received in advance and retention which constitute a departure from GRAP 2, Cash flow statement. Consequently, the suppliers is overstated by R38,36 million in the cash flow statement.

In respect of the audit of the annual performance report, which is included on the audit report as other matters and does not impact the audit outcome, the following key findings were raised that will be attended to as part of the post-midyear adjustment process, in line with the audit action plan developed:

- (a) Identified reported achievements did not relate to the planned key performance indicator and targets. Additionally, I could not determine if the reported achievements were correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved;
- (b) There was no link between the key performance indicator and target of one (1) report and the achievement of planned objectives and strategic goals, as it did not measure actual service delivery. The key performance indicator and target measured the number of reports prepared instead of the number of streets cleaned on daily basis.
- (c) It could not be determined if reported achievements were correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Other issues relating to the previous annual report will be more comprehensively dealt with in the annual report and the supporting audit action plan.

RECOMMENDATIONS BY THE EXECUTIVE MAYOR

- (1) That the report of the Executive Mayor regarding the mid-year assessment report for the first semester ending in December 2023 BE NOTED.
- (2) That an adjustment budget BE PREPARED, based on the mid-year budget and performance assessment report for the period ending December 2023.
- (3) That a joint revenue enhancement program BE ESTABLISHED in order to target all households without service accounts.