

MOGALAKWENA LOCAL MUNICIPALITY



QUARTERLY BUDGET PERFORMANCE STATEMENTS

(SECTION 52(d) REPORT)

AS AT 30 September 2023

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1. EXECUTIVE SUMMARY

Table C1: Quarterly Budget Statement Summary

The budget performance for the first quarter, period ending 30 September 2023, is reflected on the table below and summary on the performance of the main segment of the budget is provided below:

- Revenue recognized from property rates amounted to R24.3m in the first quarter against a budget of R24.0m which resulted in no variance.
- Service charges for the first quarter was R72.0m against the budget of R163.8m with a negative variance of R91.7m (56%).
- Revenue from investment income recognized during the first quarter was R3.4m against the budget of R837 thousand resulting in a positive variance of R2.6m.
- Revenue from operating grants recognized during the quarter under review amounted to R240.9m against the budget of R146.7m resulting in a positive variance of R94.1m (64%).
- Other revenue reported was R19.8m against the budget of R17.0m resulting in a positive variance of R2.8m (17%).
- Capital grants to the amount of R57.7m have been recognized in the first quarter. Revenue on Capital grants is recognized separately from the spending on the accounting system. The spending on Capital Expenditure as at 30 September 2023 was R64.3m excluding VAT. Therefore, an additional amount will be processed in next reporting period.
- Employee costs was R91.0m against the budget of R102.8m. These resulted in a negative variance of R11.7m (11%).
- Remuneration of councilors spending was at R1.2m against the year-to-date budget of R4.5m at the end of first quarter. This resulted in a negative variance of R3.2m (72%).
- Depreciation and asset impairment at the end of the first quarter are at a negative 100% variance. This is as a result of depreciation processed only at the end of the financial year.
- Interest charges to the amount of R534 thousand was recognized against a year-to-date budget of R640 thousand. The results were a negative variance of R106 thousand.
- Inventory consumed and bulk purchases for the first quarter is reported at an amount of R79.4m against a budget amount of R91.8m. This results in a negative variance of R12.3m.
- Other expenditure cost to an amount of R216.3m was reported during the first quarter against the budget of R12.7m which resulted in a positive variance of R95.5m (79%). The major contributors to the positive variance are the irrecoverable debts written off of R115.8m; contracted services of R62.4m and operational costs of R37.9m.
- The total current liabilities reported as at 30 September 2023 amounted to R471.0m, whilst total current assets were R545.2m, representing a current ratio of 1.16:1. The interpretation of the ratio suggest that the municipality will be able to meet its immediate or current financial commitments. The municipality needs to maintain and improve on the current ration.

The above summary is illustrated on the C1 table below:

LIM367 Mogalakwena - Table C1 Monthly Budget Statement Summary - M03 September									
Description	2022/23	Budget Year 2023/24							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	91 416	96 349	96 349	8 093	24 303	24 087	216	1%	96 349
Service charges	486 213	655 355	655 355	30 988	72 068	163 839	(91 770)	-56%	655 355
Investment revenue	4 885	–	–	–	–	–	–		–
Transfers and subsidies - Operational	4 885	3 348	3 348	753	3 482	837	2 645	316%	3 348
Other own revenue	636 601	663 130	663 130	8 923	262 158	165 782	96 376	58%	–
Total Revenue (excluding capital transfers and contributions)	1 224 000	1 418 183	1 418 183	48 757	362 011	354 545	7 466	2%	1 418 183
Employee costs	332 210	411 319	411 319	30 275	91 037	102 831	(11 794)		411 319
Remuneration of Councillors	10 524	18 009	18 009	204	1 261	4 502	(3 241)		18 009
Depreciation and amortisation	140 919	100 410	100 410	–	–	25 103	(25 103)		100 410
Interest	2 936	2 561	2 561	58	534	640	(106)		2 561
Inventory consumed and bulk purchases	342 770	382 069	368 209	31 277	79 436	91 835	(12 399)		368 209
Transfers and subsidies	5 730	517	517	63	78	129	(51)	-39%	517
Other expenditure	466 362	468 360	482 219	54 707	216 307	120 773	95 534	79%	482 219
Total Expenditure	1 301 451	1 383 244	1 383 244	116 583	388 654	345 813	42 841	12%	1 383 244
Surplus/(Deficit)	(77 451)	34 938	34 938	(67 826)	(26 643)	8 732	(35 375)	-405%	34 938
Transfers and subsidies - capital (monetary)	270 591	311 599	311 599	57 781	57 781	–	57 781	#DIV/0!	311 599
Transfers and subsidies - capital (in-kind)	177	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	193 317	346 537	346 537	(10 044)	31 138	8 732	22 406	257%	346 537
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	193 317	346 537	346 537	(10 044)	31 138	8 732	22 406	257%	346 537
Capital expenditure & funds sources									
Capital expenditure	254 720	311 599	311 599	49 544	64 375	77 900	(13 525)	-17%	311 599
Capital transfers recognised	240 208	311 599	311 599	49 544	64 375	77 900	(13 525)	-17%	311 599
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	14 512	–	–	–	–	–	–		–
Total sources of capital funds	254 720	311 599	311 599	49 544	64 375	77 900	(13 525)	-17%	311 599
Financial position									
Total current assets	690 651	826 417	826 417		545 264				826 417
Total non current assets	4 491 355	5 639 661	5 639 661		4 555 730				5 639 661
Total current liabilities	582 568	339 934	339 934		471 096				339 934
Total non current liabilities	124 092	123 053	123 053		124 092				123 053
Community wealth/Equity	4 624 249	5 656 554	5 656 554		4 505 806				5 656 554
Cash flows									
Net cash from (used) operating	284 537	371 454	371 454	(5 552)	(110 261)	92 864	203 124	219%	371 454
Net cash from (used) investing	(235 238)	(291 613)	(291 613)	(49 396)	(48 612)	(72 903)	(24 291)	33%	(291 613)
Net cash from (used) financing	–	–	–	–	–	–	–		–
Cash/cash equivalents at the month/year end	117 524	157 712	157 712	–	(118 528)	97 831	216 360	221%	120 185

2. FINANCIAL PERFORMANCE

1.1 Actual revenue per source

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue										
Service charges - Electricity		334 775	400 511	400 511	23 942	70 801	100 128	(29 327)	-29%	400 511
Service charges - Water		111 468	204 844	204 844	3 082	(10 475)	51 211	(61 686)	-120%	204 844
Service charges - Waste Water Management		20 184	29 454	29 454	1 866	5 522	7 364	(1 841)	-25%	29 454
Service charges - Waste management		19 786	20 545	20 545	2 098	6 220	5 136	1 083	21%	20 545
Sale of Goods and Rendering of Services		3 038	4 084	4 084	126	376	1 021	(645)	-63%	4 084
Agency services		12 193	10 421	10 421	1 027	1 890	2 605	(716)	-27%	10 421
Interest		–	–	–	–	–	–	–	–	–
Interest earned from Receivables		56 754	35 731	35 731	4 185	13 273	8 933	4 340	49%	35 731
Interest from Current and Non Current Assets		4 885	3 348	3 348	753	3 482	837	–	–	3 348
Dividends		–	–	–	–	–	–	–	–	–
Rent on Land		–	–	–	–	–	–	–	–	–
Rental from Fixed Assets		1 555	2 027	2 027	123	391	507	(115)	-23%	2 027
Licence and permits		–	1 951	1 951	–	–	488	(488)	-100%	1 951
Operational Revenue		1 840	336	336	67	115	84	31	37%	336
Non-Exchange Revenue										
Property rates		91 416	96 349	96 349	8 093	24 303	24 087	216	1%	96 349
Surcharges and Taxes		–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		2 226	4 005	4 005	217	226	1 001	(775)	–	4 005
Licence and permits		27	11	11	2	2	3	(1)	–	11
Transfers and subsidies - Operational		546 507	587 164	587 164	1 718	240 931	146 791	94 140	–	587 164
Interest		14 740	13 551	13 551	1 310	3 971	3 388	584	–	13 551
Fuel Levy		–	–	–	–	–	–	–	–	–
Operational Revenue		–	–	–	–	–	–	–	–	–
Gains on disposal of Assets		756	3 848	3 848	149	149	962	(814)	–	3 848
Other Gains		1 849	–	–	–	833	–	833	–	–
Discontinued Operations		–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		1 224 000	1 418 183	1 418 183	48 757	362 011	354 545	7 466	2%	1 418 183

Variances more than 10 % and explanation of variances

Description	Variance explanation	Remedial Action
Services Charges Electricity Revenue – Negative Variance of 29%	Electricity revenue billed was less than anticipated. The municipality has been affected by electricity power cuts in the first quarter of the financial year. Also, the introduced incentives by the department has resulted in discounts introduced in service charges.	Finance Department in Revenue division has introduced an incentive scheme to attract consumers. This scheme has been fruitful in drawing consumers in but has also had the effect of reducing the revenue billed on all service charges during the month of September. The incentive scheme has been

Description	Variance explanation	Remedial Action
		extended to the end of December 2023.
Service charges Water revenue - Negative variance of 120%	The negative variance is due to the reversal of interim water readings which were reversed during July and August 2023. The interim readings were replaced with actual water readings.	The municipality has also replaced and installed +/- 1,000 water meters at Mahwelereng. The municipality is running an incentive scheme to attract the consumers to pay outstanding debts. The incentive was to provide a discount of 50% on the third months billing if the first two months bills were paid in full and timeously.
Service charges Waste Water Management – Negative variance of 25%	Billing is less than anticipated due to the implementation of incentive scheme to attract consumer payments.	The municipality is running an incentive scheme to attract the consumers to pay outstanding debts. The incentive was to provide a discount of 50% on the third months billing if the first two months bills were paid in full and timeously.
Sale of goods and rendering of services – Negative variance of 63%	The sale of goods and rendering of services includes a budget of R1.6m for sale of tender documents. The documents are now uploaded on e-tender and that has reduced sale of tender documents.	Observe the line item for the first six months of the financial year and process an adjustment during the adjustment budget if necessary.
Agency Services – Negative variance of 27%	Agency services collected is less than the anticipated amount. The line item was appropriated for, using historical trends.	Observe the line item for the first six months of the financial year and process an adjustment during the adjustment budget if necessary.
Interest earned from Receivables – Positive variance of 49%	The interest is levied on accounts in arrears. The municipality has a total debtors' book of over R1 billion. As a result, interest levied is high.	The municipality introduced an incentive scheme to encourage payment of debts by the consumers. The incentive will also assist consumers in having their interest written off.
Interest earned from Current and Non-Current Assets – Positive variance 316%	Interest earned on external investment is earned more than anticipated. This is as a result of the Equitable Share and other conditional grants that were	Observe the line item in the first six month of the financial year and adjust it up if necessary.

Description	Variance explanation	Remedial Action
	received in the first quarter and kept in an interest earning call account.	
Rental from Fixed Assets – Negative variance of 23%	The rental market for municipal facilities has performed less than anticipated.	The municipality needs to ensure that all rental agreements entered into are in line with market related prices.
Operational Revenue - Positive variance of 37%	Other revenue includes staff recoveries, Sale of tender documents, building plan approvals and revenue from auction. The amount received is more than the anticipated amount.	The municipality needs to continue collecting as much as possible in order to fund and cater for other expenditures budgeted for.
Fines, penalties and forfeits – Negative variance of 77%	The municipality did not collect in terms of fines as anticipated in the first quarter of the financial year. This is as a result of less traffic fines issued during the period.	Deploy more traffic officers to the streets in order to gain a traction in collecting revenue on fines. Traffic officers to be more visible in town to enforce relevant laws.
Transfers and subsidies operational – Positive variance of 64%	The municipality did not have Treasury's grants payment schedule during the preparation of cash flow projections in terms of receiving grants. Therefore, the allocations that were received in the first quarter are more than as anticipated.	The municipality must improve in monthly cash flow projections and obtain as much information as possible during the preparation of budget. The line item will even out in the next quarters.
Interest Non-Exchange Revenue – Positive variance of 17%	Similar to interest from current and non-current assets. This is interest charged on outstanding property rates. The interest is levied as consumers default on their accounts.	The municipality encourages consumers to pay outstanding debt as there is an incentive to reduce interest charged. The incentive will be implemented from 1 July 2023 and has been extended to end in December 2023.
Gains on disposal of Assets - Negative variance of 85%	The municipality's sale of land has not performed as planned.	Identify additional land to be sold for development. Observe the line item in the current year to determine if an adjustment is needed.

1.2 Actual borrowings

The municipality did not take out any borrowings in the quarter under review.

1.3 Actual Expenditure by Type

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
Expenditure By Type										
Employee related costs		332 210	411 319	411 319	30 275	91 037	102 831	(11 794)	-11%	411 319
Remuneration of councillors		10 524	18 009	18 009	204	1 261	4 502	(3 241)	-72%	18 009
Bulk purchases - electricity		288 246	321 949	306 639	27 918	60 798	76 660	(15 862)	-21%	306 639
Inventory consumed		54 524	60 120	61 570	3 359	18 638	15 175	3 463	23%	61 570
Debt impairment		1 446	190 574	190 574	–	–	47 643	(47 643)	-100%	190 574
Depreciation and amortisation		140 919	100 410	100 410	–	–	25 103	(25 103)	-100%	100 410
Interest		2 936	2 561	2 561	58	534	640	(106)	-17%	2 561
Contracted services		189 404	153 364	151 864	28 210	62 460	38 191	24 268	64%	151 864
Transfers and subsidies		5 730	517	517	63	78	129	(51)	-39%	517
Irrecoverable debts written off		192 813	–	–	3 611	115 897	–	115 897	#DIV/0!	–
Operational costs		75 517	124 422	139 782	22 886	37 950	34 938	3 012	9%	139 782
Losses on Disposal of Assets		2 361	–	–	–	–	–	–		–
Other Losses		4 820	–	–	–	–	–	–		–
Total Expenditure		1 301 451	1 383 244	1 383 244	116 583	388 654	345 813	42 841	12%	1 383 244

Variances more than 10 % and explanation of variances

Description	Variance explanation	Remedial Action
Employee Related Costs – Negative variance of 11%	The municipality has cut down on payments of overtime to not exceed 30% of the gross salary. Also, employees from Level 8 and above are not remunerated for overtime in cash payments but are offered time off instead.	No remedial action required.
Remuneration of councilors – Negative variance of 72%	The variance is due to mSCOA alignment wherein some of the expenditures relating to remuneration of councilors are categorized as employee related costs. Also, the municipality will only process payment of upper limits from the month of October back-paid from July 2023.	A correction to be processed on mSCOA alignment in the second quarter of the financial year. Payments in terms of the upper limits to also be processed in the second quarter.
Bulk purchases electricity – Negative variance of 21%	Bulk Electricity expenditure fluctuate seasonally. The quarter under review's bulk purchases was lower than anticipated. The municipality also budgeted taking into account the possibilities of payment arrangement with Eskom.	Ensure that Eskom account is timeously paid to avoid payment arrangements and interest charges.

Description	Variance explanation	Remedial Action
Inventory consumed – Positive variance of 23%	The line item includes consumable inventory and water consumed by the customers for the quarter under review. The municipality reversed interim (estimate) billing and processed actual readings. This resulted in the actual water consumed to be higher than budgeted for.	Continue with actual readings on water in order to have the correct expenditure. Observe the line item in order to determine if an adjustment would be required.
Debt impairment – Negative variance of 100%	Debt impairment is not processed on a monthly basis.	Put measures in place to capacitate revenue section in order to process debt impairment on a monthly basis.
Depreciation – Negative variance of 100%	Depreciation is not processed on a monthly basis.	Put measures in place to capacitate asset management section in order to process depreciation on a monthly basis.
Interest – Negative variance of 17%	This is interest that has been charged on overdue accounts as a result of cash flow challenges. The municipality is in an arrangement with Eskom which will be paid off in the month of December 2023. Minimal interest has been charged by Lepelle Northern Water as the municipality is trying to keep the accounts up to date.	The municipality is encouraged not to incur expenditure on interest as it constitutes Fruitless and Wasteful expenditure.
Contracted Services – Positive variance of 64%	The municipality appointed consultants to perform external review of financial statements in order to improve on the quality of Annual Financial Statements submitted to the Auditor General of South Africa for audit. This has increased spending on consultancy fees. Also, the municipality appointed an external investigator in assisting with investigation of R7 billion historic Unauthorized, Irregular, Fruitless and Wasteful expenditure.	The municipality must put measures in place to capacitate internal staff in performing most of the tasks given to consultants. Ensure that there is proper skills transfer from the appointed consultants.
Irrecoverable debts written off	Council resolved to write off an amount of R115.9m in August 2023. This is as a result of indigent consumer accounts and the discount	Part of the budget amount allocated to Debt impairment must be transferred to

Description	Variance explanation	Remedial Action
	interest that has been written off. The discount emanates from the implemented incentive scheme.	irrecoverable debt during the adjustment budget process.

Breakdown of contracted services is as follows:

Service Rendered	Amount in millions
External Auditors	R6.4
Business & Advisory: Financial Management	R15.1
Engineering Services	R3.4
Legal Services	R6.8
Maintenance Services	R3.5
Security Services	R18.2m
Waste Management	R8.1

1.4 Capital expenditure per vote

Vote Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Single Year expenditure appropriation	2									
Vote 01 - Executive & Council		1 783	-	-	-	-	-	-		-
Vote 02 - Corporate Support Services		8 882	-	-	-	-	-	-		-
Vote 03 - Budget And Treasury		1 388	-	-	-	-	-	-		-
Vote 04 - Planning And Development		473	-	-	-	-	-	-		-
Vote 05 - Technical Services		206 447	253 946	306 259	49 544	64 375	76 565	(12 190)	-16%	306 259
Vote 06 - Community Services		30 166	37 500	-	-	-	0	(0)	-100%	-
Vote 07 - Traffic And Security		335	-	-	-	-	-	-		-
Vote 08 - Electrical Services		5 247	20 153	5 340	-	-	1 335	(1 335)	-100%	5 340
Total Capital single-year expenditure	4	254 720	311 599	311 599	49 544	64 375	77 900	(13 525)	-17%	311 599
Total Capital Expenditure		254 720	311 599	311 599	49 544	64 375	77 900	(13 525)	-17%	311 599

The municipality has recognized capital expenditure to the amount of R64.3m at the end of first quarter compared to the year-to-date budget of R77.9m. Details of capital expenditure per source of funding are further outlined below.

1.5 Capital Expenditure per grant

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
Capital expenditure of Transfers and Grants										
National Government:		240 208	311 599	311 599	49 544	64 375	77 900	(13 525)	-17.4%	311 599
Integrated National Electrification Programme Grant		4 405	-	-	-	-	-	-		-
Municipal Infrastructure Grant		155 267	186 266	186 266	12 872	22 826	46 566	(23 741)	-51.0%	186 266
Regional Bulk Infrastructure Grant		42 086	50 000	50 000	36 149	36 149	12 500	23 649	189.2%	50 000
Water Services Infrastructure Grant		38 450	75 333	75 333	523	5 401	18 833	(13 432)	-71.3%	75 333
Provincial Government:		-	-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
Housing Development Agency		-	-	-	-	-	-	-		-
Mining Companies		-	-	-	-	-	-	-		-
Private Enterprises		-	-	-	-	-	-	-		-
Unspecified		-	-	-	-	-	-	-		-
Total capital expenditure of Transfers and Grants		240 208	311 599	311 599	49 544	64 375	77 900	(13 525)	-17.4%	311 599

INEP

The municipality does not have allocation for INEP grant in the 2023/2024 financial year.

MIG

The municipality has spent R22.8m of the anticipated R46.5 at the end of September 2023. The municipality has improved in expenditure on MIG grant compared to the previous year. The spending as reported is exclusive of VAT and will also be accounted for in the next quarter of the financial year. The municipality has submitted an acceleration plan to further improve spending on MIG.

RBIG

The municipality has spent R36.1m compared to the year-to-date budget of R12.5m. This resulted in a positive variance of 189%. The municipality is doing well in RBIG spending and is anticipating to receive additional funding due to the performance.

WSIG

The municipality managed to spend an amount of R5.4m against an anticipated budget of R18.8m by the end of September 2023. This resulted in a negative variance of R13.4m.

1.6 Monthly budget statement financial position

The community wealth/ net assets of the municipality amounted to R4.5b. Total current liabilities amounted to R471.0m, whilst total current assets amounted to R545.2m. This represented a current ratio of 1.16:1. The interpretation of the ratio indicates that the municipality would be able to meet its immediate or current financial commitments in the short-term.

Description	2022/23	Budget Year 2023/24			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash and cash equivalents	40 344	83 261	83 261	29 362	83 261
Trade and other receivables from exchange transactions	131 118	266 182	266 182	31 968	266 182
Receivables from non-exchange transactions	53 548	96 377	96 377	31 648	96 377
Current portion of non-current receivables	–	–	–	–	–
Inventory	396 599	380 596	380 596	381 417	380 596
VAT	54 619	–	–	56 451	–
Other current assets	14 423	–	–	14 418	–
Total current assets	690 651	826 417	826 417	545 264	826 417
Non current assets					
Investments					
Investment property	149 977	137 121	137 121	149 977	137 121
Property, plant and equipment	4 318 134	4 537 112	4 537 112	4 382 509	4 537 112
Biological assets					
Living and non-living resources					
Heritage assets	5 868	5 868	5 868	5 868	5 868
Intangible assets	1 762	943 423	943 423	1 762	943 423
Trade and other receivables from exchange transactions	(2)	16 137	16 137	(2)	16 137
Non-current receivables from non-exchange transactions	15 617	–	–	15 617	–
Other non-current assets					
Total non current assets	4 491 355	5 639 661	5 639 661	4 555 730	5 639 661
TOTAL ASSETS	5 182 006	6 466 078	6 466 078	5 100 994	6 466 078
LIABILITIES					
Current liabilities					
Bank overdraft	–	–	–	–	–
Financial liabilities	420	–	–	420	–
Consumer deposits	(16 344)	28 084	28 084	(16 010)	28 084
Trade and other payables from exchange transactions	427 838	210 463	210 463	265 701	210 463
Trade and other payables from non-exchange transactions	5 495	–	–	58 660	–
Provision	2 887	12 748	12 748	3 565	12 748
VAT	161 253	88 638	88 638	157 741	88 638
Other current liabilities	1 019	–	–	1 019	–
Total current liabilities	582 568	339 934	339 934	471 096	339 934
Non current liabilities					
Financial liabilities	–	–	–	–	–
Provision	124 092	123 053	123 053	124 092	123 053
Long term portion of trade payables	–	–	–	–	–
Other non-current liabilities	–	–	–	–	–
Total non current liabilities	124 092	123 053	123 053	124 092	123 053
TOTAL LIABILITIES	706 660	462 987	462 987	595 188	462 987
NET ASSETS	4 475 346	6 003 091	6 003 091	4 505 806	6 003 091
COMMUNITY WEALTH/EQUITY					
Accumulated surplus/(deficit)	6 277 267	5 656 554	5 656 554	6 158 823	5 656 554
Reserves and funds	(1 653 017)	–	–	(1 653 017)	–
Other	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	4 624 249	5 656 554	5 656 554	4 505 806	5 656 554

3. CREDITORS ANALYSIS

The municipality aims to pay all its creditors' invoices, which are not in dispute with relevant creditors within 30 days. The creditors reflected below are only trade creditors payable during the current year. Other creditors such as retention and accrued leave are included in the trade and other payables line in the statement of financial position. The main reasons for the municipality to be reporting creditors is cash constraints. The municipality had to enter into a payment agreement with Eskom to pay for acknowledged payable amount of R47.7m as at 01 June 2023. The arrangement is to be settled by December 2023. Total payable at the end of September 2023 is reported at R64.6m. The Supporting table below displays the creditors' age analysis as at 30 September 2023.

LIM367 Mogalakwena - Supporting Table SC4 Monthly Budget Statement - aged creditors - M03 September											
Description R thousands	NT Code	Budget Year 2023/24									Prior year totals for chart (same period)
		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	Total	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	23 447	-	-	-	-	18 607	5 262	-	47 316	41 744
Bulk Water	0200	4 159	-	-	-	-	-	-	-	4 159	5 740
PAYE deductions	0300									-	4 835
VAT (output less input)	0400									-	7 018
Pensions / Retirement deductions	0500									-	
Loan repayments	0600									-	
Trade Creditors	0700	7 783	3 535	469	41	-	-	-	-	11 829	13 165
Auditor General	0800	1 345	-	-	-	-	-	-	-	1 345	1 499
Other	0900									-	
Total By Customer Type	1000	36 734	3 535	469	41	-	18 607	5 262	-	64 649	74 001

4. DEBTORS MANAGEMENT ANALYSIS

The municipality plans to continue in implementing credit control policy in order to boost debt collection. The department of finance has developed an incentive scheme which was implemented from 1 July 2023 to December 2023. The scheme aims to encourage the consumers to pay accounts on time. Supporting table below displays the debtors ageing analysis as at 30 September 2023 which indicates that the total amount outstanding from debtors is at R1.3b.

Description	NT Code	Budget Year 2023/24												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	100 347	40 487	6 353	6 617	6 560	7 352	32 580	291 445	491 742	344 554	-	-		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	27 961	5 989	4 235	2 952	2 975	3 151	18 313	51 997	117 573	79 388	-	-		
Receivables from Non-exchange Transactions - Property Rates	1400	10 615	3 074	2 721	2 734	2 519	2 607	14 142	152 336	190 749	174 339	-	-		
Receivables from Exchange Transactions - Waste Water Management	1500	2 772	976	852	831	816	967	4 715	60 263	72 192	67 592	-	-		
Receivables from Exchange Transactions - Waste Management	1600	3 619	1 471	1 023	1 007	994	1 086	5 799	78 091	93 090	86 977	-	-		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	1	1	1	-	-		
Interest on Arrear Debtor Accounts	1810	10 901	6 323	5 826	5 760	5 680	5 620	31 430	316 022	387 562	364 512	-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-		
Other	1900	2 203	376	620	356	249	229	523	7 668	12 223	9 024	-	-		
Total By Income Source	2000	158 418	58 695	21 630	20 256	19 793	21 013	107 503	957 824	1 365 131	1 126 388	-	-		
2022/23 - totals only		82456438 7/9	25523133 1/5	22512869 3/4	20915554 1/4	21065782 1/2	24769110 1/8	120737465	#####	1 359 944	1 229 452	0	0		
Debtors Age Analysis By Customer Group															
Organs of State	2200	9 275	3 785	2 996	2 288	2 438	2 313	11 728	111 279	146 102	130 045	-	-		
Commercial	2300	19 002	3 191	1 912	2 009	1 664	3 424	10 569	57 265	99 035	74 931	-	-		
Households	2400	129 593	51 505	16 374	15 777	15 548	15 136	84 415	785 629	1 113 976	916 505	-	-		
Other	2500	548	214	349	182	143	140	792	3 651	6 018	4 907	-	-		
Total By Customer Group	2600	158 418	58 695	21 630	20 256	19 793	21 013	107 503	957 824	1 365 131	1 126 388	-	-		

Top ten current debtors

	Name	Amount
1	Lepelle water	10 748 615.16
2	Terra Clay	10 741 491.82
3	NATIONAL GOVT OF THE REP OF SA	8 934 532.56
4	Dept of Public works	7 771 993.61
5	RSA	7 562 769.86
6	Frostall trading	7 534 920.65
7	Mokopane south Primary school	6 108 516.73
8	Dept of education	4 139 951.36
9	RSA	3 529 473.62
10	Kgatelopele Primary School	3 529 124.29
Total		70 601 389.66

Revenue collection rate

The municipality's average collection rate for the quarter is 75% and the monthly details are as follows:

Month	Collection rate
September 2023	85%
August 2023	72%

Month	Collection rate
July 2023	68%

The implementation of incentive scheme is starting to show benefits. The collection rate is gradually increasing and the trend since the start of the financial year proves the improvement.

5. INVESTMENT PORTFOLIO ANALYSIS

Supporting table below displays the Council's investment portfolio and indicates that R 42.7m was invested at the end of the first quarter.

The investments were topped up with an amount of R283.9m and an amount of R269.2m was withdrawn during the quarter to cover conditional grants spending and other operational costs. Interest earned from short term investments during the quarter amounted to R3.1m. The closing balance of all the short-term investments and call accounts held by the municipality at the end of September 2023 amounted to R42.7m. The total amount in the municipality's bank account at the end of September 2023 was R60.5m.

LIM367 Mogalakwena - Municipal Investments - Q01

Primary Bank : Standard Bank

Account Type : Cheque

Opening Balance - 01 July 2023	14 927 070
Closing balance - 30 September 2023	17 749 359

INVESTMENTS : FIRST QUARTER 2023

Name of Institution/Bank	Investment Type	Opening Balance	Deposit/ Invested during the Month	Withdrawal during the Month	Penalties	Interest Accrued	Interest Earned	Closing Balance
ABSA	Short-Term	-	-	-	-	-	-	-
FNB	Short-Term	-	-	-	-	-	-	-
NEDBANK	Sort-Term	-	-	-	-	-	-	-
STANDARD BANK	Short-Term	-	-	-	-	-	-	-
STANDARD BANK	Call Accounts 002 & 052	24 925 489	283 917 000	269 200 000	-	-	3 153 832	42 796 320
								-
TOTAL		24 925 489	283 917 000	269 200 000	-	-	3 153 832	42 796 320

Total in the Bank

60 545 679

6. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

The total salaries, allowances and benefits paid for the first quarter amounted to R91.7m. The spending is at a negative variance of R10.8m.

LIM367 Mogalakwena - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M03 September

Summary of Employee and Councillor remuneration	2022/23	Budget Year 2023/24							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
	A	B	C						D
<u>Councillors (Political Office Bearers plus Other)</u>									
Basic Salaries and Wages	6 200	10 362	10 362	93	687	2 591	(1 904)	-73%	10 362
Pension and UIF Contributions	955	2 355	2 355	48	175	589	(414)	-70%	2 355
Medical Aid Contributions	–	–	–	–	–	–	–		–
Motor Vehicle Allowance	2 712	4 053	4 053	63	345	1 013	(668)	-66%	4 053
Cellphone Allowance	657	1 239	1 239	–	55	310	(255)	-82%	1 239
Housing Allowances	–	–	–	–	–	–	–		–
Other benefits and allowances	–	–	–	–	–	–	–		–
Sub Total - Councillors	10 524	18 009	18 009	204	1 261	4 502	(3 241)	-72%	18 009
% increase		71.1%	71.1%						71.1%
<u>Senior Managers of the Municipality</u>									
Basic Salaries and Wages	2 681	5 889	5 889	267	534	1 472	(938)	-64%	5 889
Pension and UIF Contributions	1 973	1 552	1 552	49	219	388	(169)	-44%	1 552
Medical Aid Contributions	613	469	469	10	63	117	(55)	-47%	469
Overtime	–	–	–	–	–	–	–		–
Performance Bonus	558	505	505	–	79	126	(48)	-38%	505
Motor Vehicle Allowance	649	720	720	48	95	180	(85)	-47%	720
Cellphone Allowance	252	654	654	31	62	164	(101)	-62%	654
Housing Allowances	11	9	9	–	–	2	(2)	-100%	9
Other benefits and allowances	0	1	1	0	0	0	(0)	-65%	1
Payments in lieu of leave	60	190	190	–	–	47	(47)	-100%	190
Long service awards	–	–	–	–	–	–	–		–
Post-retirement benefit obligations	–	–	–	–	–	–	–		–
Entertainment	–	–	–	–	–	–	–		–
Scarcity	–	–	–	–	–	–	–		–
Acting and post related allowance	23	–	–	–	–	–	–		–
In kind benefits	–	–	–	–	–	–	–		–
Sub Total - Senior Managers of Municipality	6 820	9 989	9 989	404	1 052	2 497	(1 445)	-58%	9 989
% increase		46.5%	46.5%						46.5%
<u>Other Municipal Staff</u>									
Basic Salaries and Wages	203 977	234 887	234 887	18 257	54 029	58 722	(4 693)	-8%	234 887
Pension and UIF Contributions	42 306	48 807	48 807	3 820	11 327	12 202	(875)	-7%	48 807
Medical Aid Contributions	10 863	12 514	12 514	977	2 920	3 129	(208)	-7%	12 514
Overtime	21 209	12 600	12 600	1 937	3 431	3 150	281	9%	12 600
Performance Bonus	14 439	20 310	20 310	1 029	4 008	5 078	(1 070)	-21%	20 310
Motor Vehicle Allowance	29 775	36 006	36 006	2 603	7 795	9 002	(1 207)	-13%	36 006
Cellphone Allowance	4 599	6 299	6 299	404	1 217	1 575	(358)	-23%	6 299
Housing Allowances	389	486	486	32	93	122	(29)	-24%	486
Other benefits and allowances	3 083	3 617	3 617	276	1 035	904	131	14%	3 617
Payments in lieu of leave	7 917	23 480	23 480	194	3 057	5 870	(2 813)	-48%	23 480
Long service awards	(1 692)	–	–	–	–	–	–		–
Post-retirement benefit obligations	(14 379)	2 323	2 323	191	568	581	(13)	-2%	2 323
Entertainment	–	–	–	–	–	–	–		–
Scarcity	–	–	–	–	–	–	–		–
Acting and post related allowance	164	–	–	–	–	–	–		–
In kind benefits	–	–	–	–	–	–	–		–
Sub Total - Other Municipal Staff	322 649	401 330	401 330	29 722	89 480	100 333	(10 853)	-11%	401 330
% increase		24.4%	24.4%						24.4%
Total Parent Municipality	339 994	429 328	429 328	30 330	91 793	107 333	(15 540)	-14%	429 328
		26.3%	26.3%						26.3%
TOTAL SALARY, ALLOWANCES & BENEFITS	339 994	429 328	429 328	30 330	91 793	107 333	(15 540)	-14%	429 328
% increase		26.3%	26.3%						26.3%
TOTAL MANAGERS AND STAFF	329 470	411 319	411 319	30 126	90 532	102 831	(12 299)	-12%	411 319

7. EQUITABLE SHARE VERIFICATION CHECKLIST

MFMA Circular no. 122 Municipal Budget Circular for the 2023/24 MTREF has set out the equitable share release criteria for 2023/24. National Treasury has developed a guiding checklist in order to assist the municipalities with managing the process. The municipality has followed the guideline throughout the course of the first quarter in order to comply with the set criteria. The tables below depict progress made by the municipality in terms of the criteria:

General Requirements

Criteria	Verification Requirement	Yes/No
2023/24 Adopted Budget	Council resolution, adopted mSCOA budget data strings (ORGB), PDF version of adopted MTREF budget uploaded to GoMuni Upload portal immediately after approval.	
<ul style="list-style-type: none"> Is the municipality's completed tariff tool (National Treasury format) included as part of its budget submission (MFMA Budget Circular No. 98 (refer item 4.2). 	The completed National Treasury EXCEL tariff tool uploaded to GoMuni with the adopted budget by start of budget year i.e. 1 July 2023.	Yes
<ul style="list-style-type: none"> Are allocations made for bulk suppliers current account payments? 	Allocations reflected in mSCOA budget data strings (ORGB) and budget schedules/ document.	Yes
<i>If unfunded budget position–</i>		
<ul style="list-style-type: none"> Is a Budget Funding Plan (BFP) adopted with the budget? 	Copy of the adopted Budget Funding Plan uploaded to GoMuni with the adopted budget by start of budget year i.e. 1 July 2023 .	Yes
	PDF version of BFP/progress report uploaded to GoMuni Upload portal by start of budget year i.e. 1 July 2023 .	Yes
	Is the BFP credible and show how the municipality intends moving progressively out of this position into a funded state?	Yes
	In the case of the latest progress report being submitted, is it aligned to the rescue phase of the new approach to Municipal Financial Recovery Service (MFRS)?	Yes
<ul style="list-style-type: none"> Council resolution reflecting commitment to address unfunded position. 	PDF copy of resolution uploaded to GoMuni Upload portal by start of budget year i.e. 1 July 2023.	Yes
mSCOA		
Submission of Data Strings	Successful submission of all financial and non-financial mSCOA data strings to the GoMuni Upload portal	Yes

Criteria	Verification Requirement	Yes/No
	Timeous submission of all financial and non-financial mSCOA data strings to the GoMuni Upload portal	Yes
	Data strings submitted are credible as per the analysis done by NT/PTs	Partial
	Data strings are generated directly from the main municipal financial system	Yes
	The regulated MBRR Schedules are generated directly from the core municipal financial system	Yes
	Successful submission of all financial and non-financial mSCOA data strings to the GoMuni Upload portal	Yes
• Submission of documents	Municipal documents required in terms of legislation and MFMA Circulars have been submitted timeously and in the required format to the GoMuni Upload portal.	Yes
• Financial System Changes	Municipality has followed the processes in Circulars No. 93, 98, 123 and mSCOA Circulars No 5 and 6 to change their financial system.	N/A
UIF & W		
• UIF&W Register	Documents need to be uploaded to NTs eMonitoring Webpage	Yes eMonitoring not functional yet but submitted on email
• MPAC recommendation on UIF&W		
• Council Resolution on UIF&W		
• UIF&W Reduction Strategy		
Disciplinary Board		
• Does the municipality have a functional disciplinary board?	Proof of establishment (or efforts to establish DC Board) uploaded to NTs eMonitoring Webpage NTs eMonitoring Website.	Yes Emailed
Competency Regulations		
Has the minimum municipal competency regulations reporting requirements been adhered to?	In line with the Competency Regulations, consolidated reporting information must be uploaded to GoMuni by 30 January 2023 and 30 July 2023.	Yes
Audit Process		
• Opinion Received	Did the municipality receive an adverse or disclaimed audit opinion or had outstanding audits for two consecutive financial years?	No
• Adverse or disclaimed audit opinion	Council resolution signed by each member of the Council was uploaded to NT's eMonitoring Webpage within 1 month after conclusion of the audit process reflecting council's commitment to address the opinion.	N/A
• Is a council approved audit action plan in place?	Audit action plan, together with council resolution, to be uploaded to NT's eMonitoring Webpage within 60 days from audit report issuance	Yes. NT Web based

Criteria	Verification Requirement	Yes/No
		action plan is in place
Interventions (where applicable)		
<ul style="list-style-type: none"> In the event of a discretionary or mandatory intervention in terms of section 139 of the Constitution, is a Financial Recovery Plan (FRP) in place? 	The FRP and monthly progress reports submitted in terms of sections 145 and 146 of the MFMA must be uploaded to GoMuni Upload portal for each month since the inception of the FRP.	Voluntary FRP uploaded on the Portal

Quarterly Requirements

Criteria	Verification Requirement	Quarter 3 (Jan – March)	Quarter 4 (April – June)	Quarter 1 (July – Sept)	Quarter 2 (Oct – Dec)
Bulk Supplier Payments					
<ul style="list-style-type: none"> Were current account payments to bulk suppliers (Eskom and Water Boards) timeously made? 	PT/NT to verify status according to MFMA S41 Report. No action required from municipality if account in good standing.			Yes	
<ul style="list-style-type: none"> <u>If current account in arrears, are payment agreements in place?</u> 	Copy of payment agreement or evidence of discussions are uploaded to on GoMuni Upload portal.			Yes	
Staff benefit Deductions					
<ul style="list-style-type: none"> Were a) SARS, b) pension and c) other staff benefits timeously paid over to the relevant funds/institutions? 	Proof of payment for each category, for each month of the quarter uploaded to on GoMuni Upload portal.			Yes	
Reconciliation of Valuation Roll					
<ul style="list-style-type: none"> Has the valuation role been reconciled to the financial system? 	In line with MFMA Circulars No. 93, 98 and 107, proof of the verification for each quarter should be uploaded on GoMuni Upload portal.			Yes	

8. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

QUALITY CERTIFICATE

I, MM Maluleka, the municipal manager of **Mogalakwena Local Municipality (LIM367)**, hereby certify that the quarterly budget statement report and supporting documentation for the quarter ended 30 September 2023 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

MM Maluleka
MUNICIPAL MANAGER