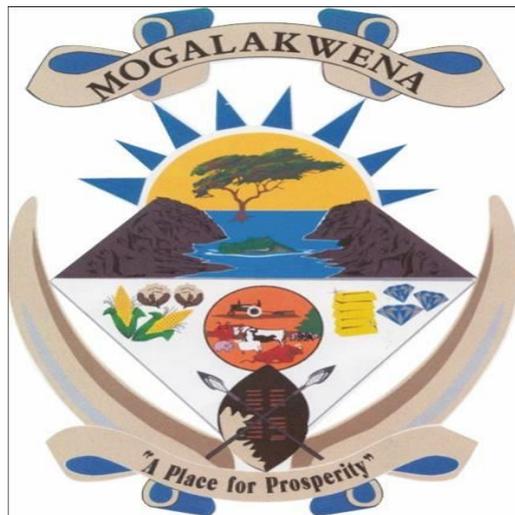


# **MOGALAKWENA LOCAL MUNICIPALITY**



## **MONTHLY BUDGET PERFORMANCE STATEMENTS**

**(SECTION 71 REPORT)**

**AS AT 31 AUGUST 2023**

## **1. PURPOSE**

The purpose of this report is to present the municipality's financial performance and position report to council for noting.

## **2. LINK TO STRATEGIC PLAN/OBJECTIVES OF THE MUNICIPALITY**

The objective of the report is to achieve municipal financial viability and sound and efficient financial management.

## **3. BACKGROUND**

The municipality is required in terms of Section 71 of the Municipal Finance Management Act (MFMA) to prepare a budget performance report for the month and for the financial year up to the end of that month to be presented to both the Mayor and Provincial Treasury. The particulars to be included on the report should include the following:

- (a) Actual revenue, per revenue source;
- (b) Actual borrowings;
- (c) Actual expenditure, per vote;
- (d) Actual capital expenditure, per vote;
- (e) The amount of any allocations received and actual expenditure on those allocations, excluding expenditure on its share of the local government equitable share
- (f) An explanation of any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote; any material variances from the service delivery and budget implementation plan; and any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

## 4. DISCUSSIONS

### 4.1 Revenue and debtors

LIM367 Mogalakwena - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August										
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
<b>R thousands</b>										
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity		334 775	400 511	400 511	25 712	46 859	66 752	(19 893)	-30%	400 511
Service charges - Water		111 468	204 844	204 844	22 147	(13 557)	34 141	(47 697)	-140%	204 844
Service charges - Waste Water Management		20 184	29 454	29 454	1 900	3 656	4 909	(1 253)	-26%	29 454
Service charges - Waste management		19 786	20 545	20 545	2 072	4 122	3 424	698	20%	20 545
Sale of Goods and Rendering of Services		3 038	4 084	4 084	116	251	681	(430)	-63%	4 084
Agency services		12 193	10 421	10 421	863	863	1 737	(874)	-50%	10 421
Interest		-	-	-	-	-	-	-		-
Interest earned from Receivables		56 754	35 731	35 731	4 183	9 088	5 955	3 133	53%	35 731
Interest from Current and Non Current Assets		4 885	3 348	3 348	1 739	2 729	558			3 348
Dividends		-	-	-	-	-	-	-		-
Rent on Land		-	-	-	-	-	-	-		-
Rental from Fixed Assets		1 555	2 027	2 027	136	268	338	(70)	-21%	2 027
Licence and permits		-	1 951	1 951	-	-	325	(325)	-100%	1 951
Operational Revenue		1 840	336	336	30	48	56	(8)	-14%	336
<b>Non-Exchange Revenue</b>										
Property rates		91 416	96 349	96 349	8 058	16 210	16 058	152	1%	96 349
Surcharges and Taxes										
Fines, penalties and forfeits		2 226	4 005	4 005	7	9	667	(659)		4 005
Licence and permits		27	11	11	-	-	2	(2)		11
Transfers and subsidies - Operational		546 507	587 164	587 164	-	239 213	97 861	141 352		587 164
Interest		14 740	13 551	13 551	1 308	2 662	2 259	403		13 551
Fuel Levy										
Operational Revenue										
Gains on disposal of Assets		756	3 848	3 848	-	-	641	(641)		3 848
Other Gains		1 849	-	-	-	833	-	833		-
Discontinued Operations										

The municipality has during the month ended 31 August 2023 recognized revenue to an amount of R313.2 compared to the year-to-date budget of R236.3m resulting in a positive variance of 33%.

The variance is explained further below:

#### Property rates

The municipality's revenue from property rates is in terms of the budgeted amounts as there is a small variance of 1% on year-to-date budget performance.

## **Service charges**

Total service charges to the amount of R41.1m is recognized which resulted in a negative variance of R68.1m, against the budgeted amount of R109.2m. The negative variance is due to the reversal of interim water readings which were reversed in July and August 2023 and replaced with actual water readings.

## **Rental of facilities and equipment**

The municipality has recognized R136 thousand in the month of August compared to the year-to-date budgeted amount of R268 thousand. This resulted in a negative variance of 21%.

## **Interest earned – External investments**

R2.7m is recognized against a budgeted amount of R558 thousand, resulting in a positive variance of R2.2m. The municipality has earned interest on call accounts from equitable share funds invested in the month of July as well as grants received in July and August 2023.

## **Interest earned – outstanding debtors**

Interest Earned on Outstanding Debtors has been billed more than anticipated. The municipality recognized R9.1 against a budget of R5.6m. Due to the culture of non-payment by the consumers, interest is levied and it increases. The municipality encourages consumers to pay outstanding debt and have implemented an incentive scheme to reduce the interest charged. This is to assist in reducing the municipality's debtors' book and to be able to fund projects from internal funds.

## **Transfers and Subsidies**

The municipality has recognized R239m on transfers and subsidies compared to a year-to-date budget of R97.8. This resulted in a positive 144% variance. The resultant variance is due to the receipt of Equitable Shares received during July.

## **Other Revenue**

Other revenue to a total of R4.7 is recognized for the month of August against a budget of R6.3m. This resulted in a negative variance of R1.6m.

## **Capital grants**

No Capital grants have been recognized yet in the second month of the financial year. Revenue on Capital grants is recognized separately from the spending in the accounting system. Spending on Capital Expenditure as at 31 August 2023 amounted to R14.8m compared to year-to-date budget of R51.9m. This resulted in a negative variance of 71%. The municipality is currently in the process of appointing contractors for capital projects and spending will improve from the second quarter.

## Collection Rate

The municipality's collection rate for the Month of August 2023 was 72%. The rate has improved compared to the previous month which was 68%. The municipality needs to maintain a favorable collection rate in order to be able to cater for the day-to-day operations.

## 4.2 Operational expenditure

LIM367 Mogalakwena - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August										
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										
<b>Expenditure By Type</b>										
Employee related costs		332 210	411 319	411 319	27 876	60 763	68 554	(7 791)	-11%	411 319
Remuneration of councillors		10 524	18 009	18 009	204	1 058	3 002	(1 944)	-65%	18 009
Bulk purchases - electricity		288 246	321 949	306 639	32 880	32 880	51 106	(18 226)		306 639
Inventory consumed		54 524	60 120	60 120	28 199	15 280	10 020	5 259		60 120
Debt impairment		1 446	190 574	190 574	-	-	31 762	(31 762)	-100%	190 574
Depreciation and amortisation		140 919	100 410	100 410	-	-	16 735	(16 735)	-100%	100 410
Interest		2 936	2 561	2 561	476	476	427	49	12%	2 561
Contracted services		189 404	153 364	153 364	28 506	34 250	25 561	8 689	34%	153 364
Transfers and subsidies		5 730	517	517	15	15	86	(71)	-83%	517
Irrecoverable debts written off		192 813	-	-	111 632	112 286	-	112 286		-
Operational costs		75 517	124 422	139 732	13 329	15 064	23 289	(8 225)	-35%	139 732
Losses on Disposal of Assets		2 361	-	-	-	-	-	-		-
Other Losses		4 820	-	-	-	-	-	-		-
<b>Total Expenditure</b>		<b>1 301 451</b>	<b>1 383 244</b>	<b>1 383 244</b>	<b>243 117</b>	<b>272 071</b>	<b>230 542</b>	<b>41 529</b>	<b>18%</b>	<b>1 383 244</b>

The municipality has spent R272m on operational expenditure with a year-to-date budget of R230.5 which shows a variance of 18%.

The variance is explained further below:

### Employee Related costs

Employee related cost to the amount of R60.7m has been recognized at the end of August 2023 compared to the year-to-date budget of R68.5m. The municipality has cut down on payments of overtime resulting in a negative variance of 11%

### Remuneration of councillors

The municipality has spent R1.1m at the end of August 2023 against a budget to date of R3m resulting in a negative variance of 65%. This is due to the upper limits not been finalized yet.

### Debt impairment, depreciation and asset impairment

The municipality has not recognized any expenditure to date on the non-cash items. Therefore, both the line items have a negative variance of 100%. Assets of the municipality are a major part during the external audit. It is against this reason that the depreciation on

assets is processed at the end of the financial year. However, the municipality is working on putting measures in place to be able to process both the debt impairment and the depreciation on a monthly basis.

### Inventory Consumed

Expenditure to the amount of R15.2m has been recognized as compared to the year-to-date budget of R10m. This resulted in a negative variance of R5.2m. The negative variance is due to the interim water readings being reversed in July and August 2023 and replaced with actual water readings therefore resulting in a reversal of inventory water consumed.

### Contracted Services

Expenditure to the amount of R34.2m has been recognized as compared to the year-to-date budget of R25.6m. This resulted in a positive variance of R8.7m.

### Operational Costs

Expenditure to the amount of R15m has been recognized as compared to the year-to-date budget of R23.2m. This resulted in a negative variance of 35%. Due to financial constraints, the municipality is trying to curb expenditure in order to improve the financial status.

## 4.3 Capital Expenditure

LIM367 Mogalakwena - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M02 August										
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										
<b>EXPENDITURE</b>										
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		240 208	311 599	311 599	14 831	14 831	51 933	(37 102)	-71.4%	311 599
Integrated National Electrification Programme Grant		4 405	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant		155 267	186 266	186 266	9 953	9 953	31 044	(21 091)	-67.9%	186 266
Regional Bulk Infrastructure Grant		42 086	50 000	50 000	-	-	8 333	(8 333)	-100.0%	50 000
Water Services Infrastructure Grant		38 450	75 333	75 333	4 878	4 878	12 556	(7 678)	-61.2%	75 333
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		<b>240 208</b>	<b>311 599</b>	<b>311 599</b>	<b>14 831</b>	<b>14 831</b>	<b>51 933</b>	<b>(37 102)</b>	<b>-71.4%</b>	<b>311 599</b>

- Spending on capital grants at the end of August 2023 amounted to R14.8m.

#### 4.4 Cash Balances

The municipality had a total of R152m in the bank accounts at 31 August 2023. The amount includes short-term investments or call accounts of R149m.

The table below illustrates cash balances as at 31 August 2023.

Primary Bank: Standard Bank								
Account type: Cheque								
Opening Balance - 01 August 2023	12 335 211.72							
Closing Balance - 31 August 2023	2 938 632.23							
INVESTMENTS:AUGUST 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	Short-Term	-	-	-	-	-	-	-
STANDARD BANK	Short-Term	-	-	-	-	-	-	-
STANDARD BANK	Call accounts 002 & 052	216 832 182.37	30 000 000.00	99 200 000.00	-	-	1 439 604.14	149 071 786.51
<b>TOTAL</b>		<b>216 832 182.37</b>	<b>30 000 000.00</b>	<b>99 200 000.00</b>	<b>-</b>	<b>-</b>	<b>1 439 604.14</b>	<b>149 071 786.51</b>
<b>Total in the Bank</b>								<b>152 010 418.74</b>

## **5. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

### **QUALITY CERTIFICATE**

I, **MM Maluleka**, the municipal manager of **Mogalakwena Local Municipality (LIM367)**, hereby certify that the monthly budget statement report and supporting documentation for the month ended 31 August 2023 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

**MM MALULEKA**  
**MUNICIPAL MANAGER**