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OR TAMBO DISTRICT MUNICIPALITY

COUNCIL

NON DELEGATED MATTER

FOR NOTING

OUT OF COMMITTEE

OFFICE OF THE MUNICIPAL MANAGER

MR B. MASE

AUTHOR MR S. NDAKISA

20 OCTOBER 2023

QUARTERLY REPORT (Q1) ON FINANCIAL STATE OF AFFAIRS (S52D)

1. ANNEXURE

Municipal Finance Management Act Section 52(d) Report on Fourth Quarter Financial State of Affairs

2. BACKGROUND

Chapter 7 of the Municipal Finance Management Act, Act 56 of 2003 particularly section 52 (d), states that the mayor of the municipality-

- Must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

3. PURPOSE

The purpose of this report therefore is to comply with the requirements of Municipal Finance Management Act S52(d).

4. DISCUSSION

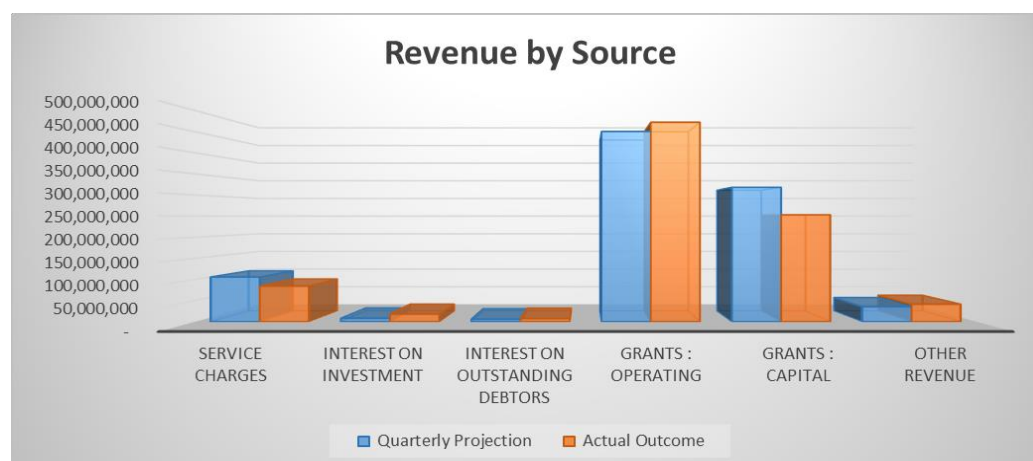
Budget Implementation

Revenue sources and revenue earned and collections thereof.

The revenue sources as per the approved budget are as follows:

Discription	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Service Charges	411,141,658	105,805,980	84,384,754	105,805,980	84,384,754	(21,421,226)	-20.25%
Interest on Investment	30,000,000	8,142,085	18,176,245	8,142,085	18,176,245	10,034,160	123.24%
Interest on Outstanding Debtors	21,730,000	5,897,583	7,435,058	5,897,583	7,435,058	1,537,475	26.07%
Grants : Operating	1,133,119,001	450,446,290	472,138,373	450,446,290	472,138,373	21,692,083	4.82%
Grants : Capital	1,190,908,557	318,152,684	253,039,807	318,152,684	253,039,807	(65,112,877)	-20.47%
Other revenue	128,776,490	35,524,371	41,544,245	35,524,371	41,544,245	6,019,874	16.95%
Total	2,915,675,706	923,968,993	876,718,482	923,968,993	876,718,482	(47,250,511)	-5.11%

Graphic illustration of revenue projected compared to revenue received



Revenue from internal and external sources

Discription	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Own Revenue	591,648,148	155,370,019	151,540,301	155,370,019	151,540,301	(3,829,718)	-2.46%
Government Grants	2,324,027,558	768,598,974	725,178,180	768,598,974	725,178,180	(43,420,794)	-5.65%
Total	2,915,675,706	923,968,993	876,718,482	923,968,993	876,718,482	(47,250,511)	-5.11%

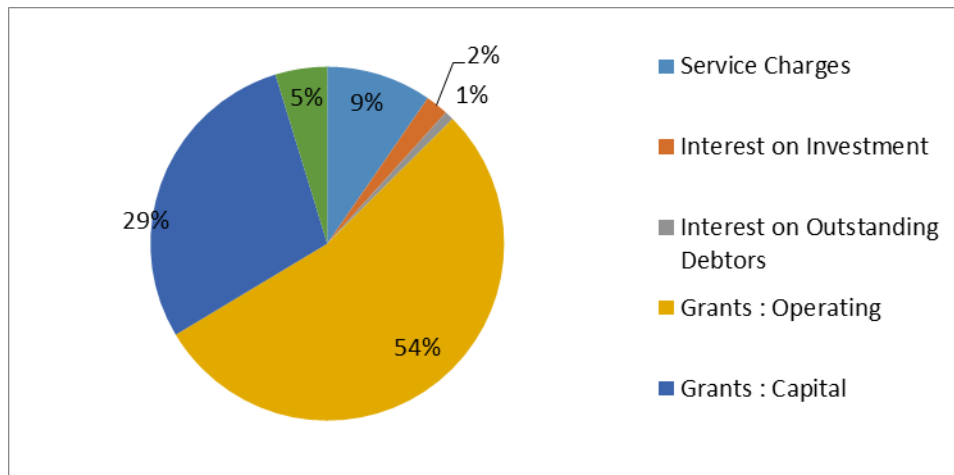
Water Collections

Discription	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Service Charges	79,826,658	56,565,561	79,826,658	56,565,561	(23,261,097)	-29.14%

Collections were 29.14% less than projected which is R23.2 million negative variance for the quarter. The reasons for the negative variance are as follows:

- Collapse of ICT infrastructure resulting in statements not being issued to consumers.
- Office building in a bad state with no network.
- Consistent water interruptions resulting in reluctance from consumers to pay.
- Bad state of satellite offices with no infrastructure,
- Non availability tools of trade.
- Delays in recruitment

Revenue by Source



Operating Expenditure

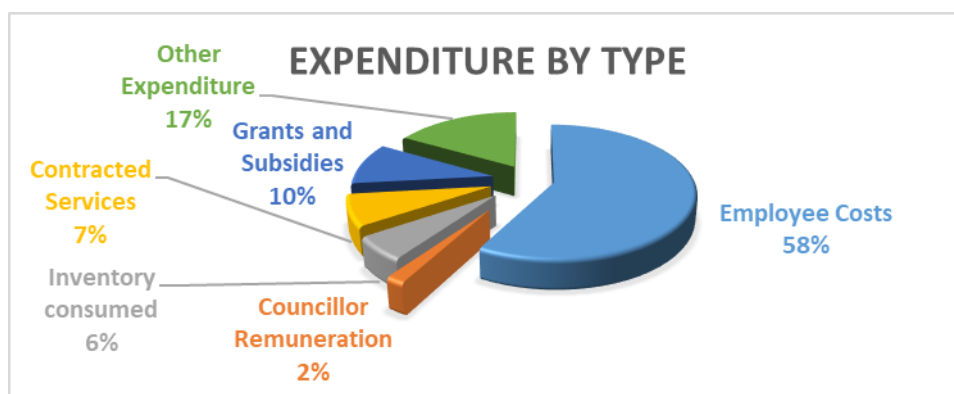
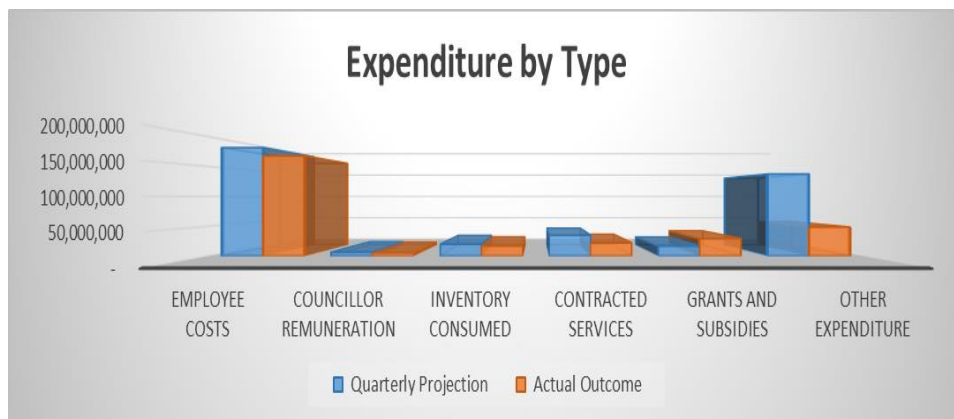
The Actual spending of the budget to-date per the following categories is as follows:

Expenditure by type is as follows: -

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	726,912,294	181,728,609	168,145,727	181,728,609	168,145,727	13,582,882	7.47%
Councillor Remuneration	25,513,521	6,378,396	5,390,780	6,378,396	5,390,780	987,616	15.48%
Inventory consumed	81,146,395	19,800,000	16,829,012	19,800,000	16,829,012	2,970,988	15.00%
Contracted Services	153,426,537	34,766,208	21,944,374	34,766,208	21,944,374	12,821,834	36.88%
Grants and Subsidies	67,113,215	16,552,305	29,145,028	16,552,305	29,145,028	-12,592,723	-76.08%
Other Expenditure	499,977,438	137,453,792	48,421,976	137,453,792	48,421,976	89,031,816	64.77%
Total	1,554,089,400.00	396,679,310	289,876,898	396,679,310	289,876,898	106,802,412	26.92%

The table above indicates an underspending of R106.8 million on operating expenditure being 26.92% of the quarter projection. This is caused by the network problems experienced by the municipality from the 1st September 2023 which caused delays in the processing of payments since the system was down.

Graphic illustration of expenditure by type: -



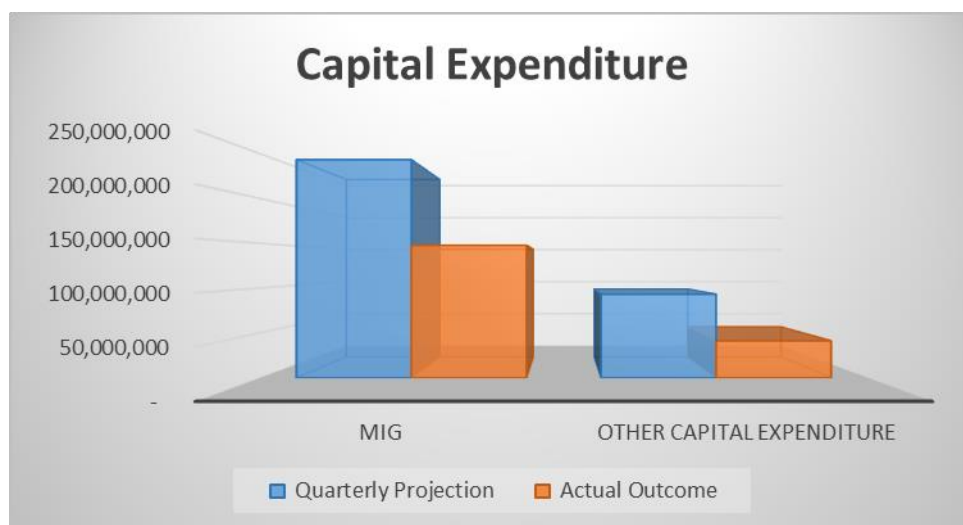
The above pie chart depicts that:

- Employee costs constitutes 58% and councilors' remuneration at 2% resulting in 60%.
- Other expenditure is at 17%.
- Contracted services amounted 7%.

Capital Expenditure

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
MIG	764,752,000	242,954,796	147,584,868	242,954,796	147,584,868	95,369,928	39.25%
Other Capital Expenditure	426,156,557	93,140,597	41,284,858	93,140,597	41,284,858	51,855,739	55.67%
Total	1,190,908,557	336,095,393	188,869,726	336,095,393	188,869,726	147,225,667	43.80%

Capital expenditure is mainly composed of Municipal Infrastructure Grant (MIG). MIG comprises of capital expenditure and operating expenditure (PMU expenses). Total allocation for MIG was R764.7 million and other capital expenditure budgeted for including Water Services Infrastructure Grant (WSIG) (R80 million), Regional Bulk Infrastructure Grant (RBIG) (R160.8 million), Water Services. For the quarter, the capital expenditure was underspent mainly due to underspending in conditional grants.



Conditional Grant spending

Grant Name	Grant Allocation	Grants Received	YTD Projection Spending	YTD Actual Spending	Variance	% Variance
Operating Grants						
Finance Management Grant	2,000,000	2,000,000	131,625	63,428	68,197	51.81%
EPWP	6,809,000	1,703,000	1,702,250.02	2,405,976	(703,726)	-41.34%
Capital Grants						
Municipal Infrastructure Grant	764,752,000	189,855,000	242,954,796.00	147,584,868	95,369,928	39.25%
Water Services Infrastructure Grant	80,000,000	24,000,000	9,100,000.00	13,056,837	(3,956,837)	-43.48%
Regional Bulk Infrastructure Grant	160,849,000	17,695,000	26,500,000.00	2,623,278	23,876,722	90.10%
Rural Roads Management System	3,155,000	-	788,750	-	788,750	100.00%
Emergency Municipal Housing Grant	182,152,557	21,489,807	45,538,139.15	20,355,215	25,182,924	55.30%

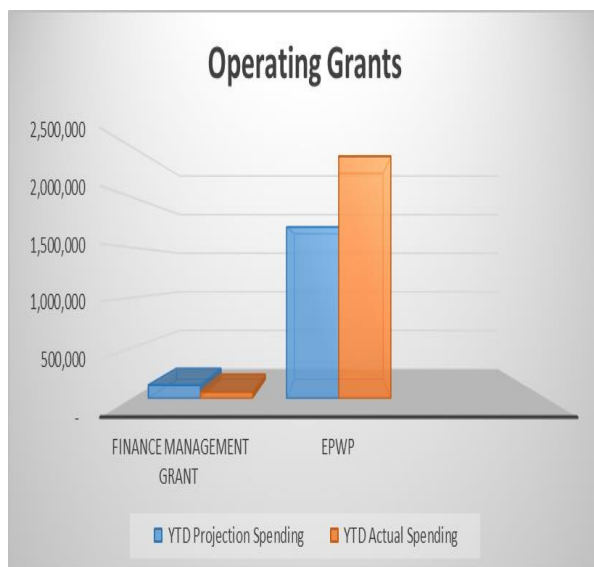
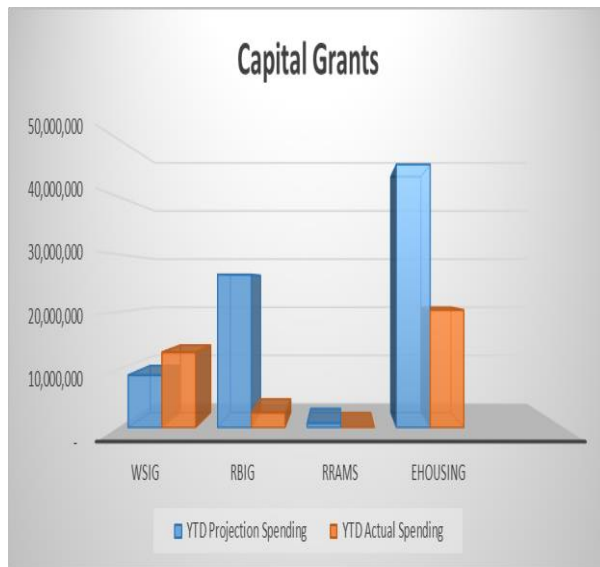
There has been a slow movement in the expenditure for conditional grants in the quarter under review. Please take note that:

- **The expenditure for September was affected by the network problems experienced by the municipality since the 1st September 2023.**

VAT forms part of the revenue funding the budget and the lesser the spending, the lesser the claims resulting in budget shortfall which may affect the funding of programs and projects. Vat receipts have been negatively affected by the underspending overall.

For a turnaround plan to address the underspending overall on MIG, WSIG and RBIG, refer to the departmental analysis where the department has explained how they intend to address the issue of underspending.

Graphic Illustration of spending on conditional grants



Departments/Votes

Tabulated here-under are the departmental vote budgets versus the actual spending to-date of the budget.

Legislative Services

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	39,369,168	9,842,276	8,000,809	9,842,276.21	8,000,809	1,841,467	19%
Councillor remuneration	25,513,521	6,378,396	5,390,780	6,378,396	5,390,780	987,616	15%
Other operating Expenditure	11,939,521	2,984,880	1,745,858	2,984,880	1,745,858	1,239,022	42%

The table above indicates that the Legislative Services department has underspent its projected operating budget projection by R4 million which constitutes 21% of operational budget projection with employee costs underspent by 19% and councilor remuneration underspent by 15% and underspent by 42% on other operating expenditure.

Actual percentage of employee costs to total operating expenditure is 88%. In the IDP, the department has got one (1) strategic objective. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

The unit underspent its budget on employee costs, councillors' remuneration, and operating expenses under expenditures had been due to the following: -

- 1.The employee costs 19 % under expenditure due to vacancies in the unit as well as management of the overtime.
- 2.The councillor remuneration was underspent by 15% and this has been a result of the fact that the remuneration increase for 2023/2023 hasn't been affected as the gazette was not issued. Also in the council, there have been some vacancies.
- 3.On the other hand, Legislative Services underspent by 42 % on the operating expenditure. This under-expenditure can be attributed to the fact that the system had challenges as such suppliers were not paid. There are invoices that still need to be paid. Moreover, some of the departmental programmes were implemented towards the month's end with claims to be made.

Office of Executive Mayor and Executive Mayoral Services

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	54,415,168	13,603,792	16,660,395	13,603,792	16,660,395	(3,056,603)	-22%
Other operating Expenditure	10,798,544	2,699,636	2,485,338	2,699,636.00	2,485,338	214,298	8%

The table above indicates that the Office of Executive Mayor has overspent its projected operating expenditure budget by R2.8 million which constitutes 17% of its operational budget with employee cost being overspent by 22% and other operating expenditure underspent by 8%.

Actual percentage of employee costs to actual total operating expenditure is 87%. In the IDP; the department has got three (3) strategic objectives. Organizational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation

The office of the Executive Mayor overspent on employee costs and underspent on the operating costs.

1. The over-expenditure on the employee costs can be attributed to the lower estimates on the cash flows as for the quarter there was once-off payment back pay for the employees as per salary collective agreements.
2. The department underspent on the operational costs by 8 %, the under-expenditure is due to the system glitches as some invoices were not processed. Furthermore, there are invoices for the quarter end not yet been processed.

Office of the Municipal Manager

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	43,049,004	10,762,251	6,944,852	10,762,251	6,944,852	3,817,399	35%
Other operating Expenditure	25,478,765	6,369,691	4,957,086	6,369,691.21	4,957,086	1,412,606	22%

The table above indicates that the Office of Municipal Manager has underspent its projected operating expenditure budget by R5.2 million which constitutes 31% of its operational budget with employee costs underspent by 35% and other operating expenditure underspent by 22%.

Actual percentage of employee costs to actual total operating expenditure is 58%. In the IDP, the department has got five (5) strategic objectives. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

The office of the Municipal Manager underspent on both the employee costs and the operating expenditures. The expenditures were due to the following: -

1. The 35% under expenditure on employee costs has been due to the vacancies in the department.
2. On the other hand, the department underspent by 22 % on operations and this can be attributed to the delays in the processing of payments due to system glitches. The department has invoices that have still not yet been paid.

Corporate Services

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	131,213,801	32,803,450	21,467,111	32,803,450	21,467,111	11,336,339	35%
Other operating Expenditure	64,430,000	16,107,500	16,067,217	16,107,500.00	16,067,217	40,283	0%
Capital Expenditure	22,250,000	5,562,500	932,160	5,562,500	932,160	4,630,340	83%

The table above indicates that the Corporate Services has underspent its projected operating expenditure budget by R11.3 million which constitutes 23% of its operational budget with employee costs underspent by 35% and other operating expenditure is spent within the budget, Underspent by 83% on capital expenditure for the quarter.

Actual percentage of employee costs to actual total operating expenditure is 57%. In the IDP, the department has got four (4) strategic objectives. Organizational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

Employee Costs

This variance is due to various reasons which are the result of terminations and the vacant funded posts which have not been filled since those terminations were effected and the fact that our Organisational Structure has recently been reviewed, however we have not advertised the posts or filled the posts because are affected as a result of name changing and so forth.

2. Other Operating Costs

None

3. Capital Expenditure

The reason we have experienced this variance it is precisely because our Bid Committees are not moving with speed as they should and as such it has really affected our Procurement Implementation Plan and other service providers were appointed outside our procurement targets.

Budget and Treasury Office

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	82,311,310	20,577,828	20,515,178	20,577,828	20,515,178	62,650	0%
Other operating Expenditure	58,429,314	14,607,329	15,542,137	14,607,328.56	15,542,137	(934,808)	-6%
Capital Expenditure	5,000,000	1,250,000	172,000	1,250,000	172,000	1,078,000	86%

The table above indicates that the Budget and Treasury Office has overspent its projected operating expenditure budget by R872 158 which constitutes 2% of its operational budget with employee costs spent within the budget and other operating expenditure is overspent by 6%. Capital Expenditure is underspent by 86%.

Actual percentage of employee costs to actual total operating expenditure is 57%. In the IDP, the department has got seven (7) strategic objectives. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

Employee Cost

- The variance of 0% is caused by the fact that there was a back pay in the quarter of 5.4 % increase on salaries.

Operating expenditure

- Wet fuel expenditure that is slightly more due to impact of load shedding
- Audit fees from the previous quarter paid in current quarter.

Capital Expenditure

The procurement of municipal vehicles is in progress and scm processes have started.

Rural Economic and Developmental Planning

Capital Expenditure	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	27,223,431	6,805,858	5,613,620	6,805,858	5,613,620	1,192,238	18%
Other operating Expenditure	67,101,643	16,775,411	29,840,582	16,775,410.72	29,840,582	(13,065,172)	-78%

The table above indicates that the Rural Economic and Developmental Planning has overspent its projected operating expenditure budget by R11.8 million which constitutes 50% of the operational budget with employee costs underspent by 18% and other operating expenditure has been overspent by 78%.

Actual percentage of employee costs to actual total operating expenditure is 16%. In the IDP, the department has got six (6) strategic objectives. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

2023/2024 1st Quarter Report on State of Financial Affairs (s52(d))

Operating expenditure, the department over spent because the invoices for the last quarter 2022/23 financial year were paid in the first quarter with the money for this current year 2023/24 financial.

Community Services

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	103,194,339	25,798,585	20,225,045	25,798,585	20,225,045	5,573,540	22%
Other operating Expenditure	9,542,236	2,385,559	362,993	2,385,558.88	362,993	2,022,566	85%
Capital Expenditure	17,000,000	-	-	-	-	-	0%

The table above indicates that the Community and Social Services has underspent its projected operating budget by R7.5 million which constitutes 27% with employee costs underspent by 22% and other operating expenditure have been underspent by 85%, No projection and no expenditure on capital budget.

Actual percentage of employee costs to actual total operating expenditure is 98%. In the IDP, the department has got six (6) strategic objectives. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

Employee related costs

- Under expenditure is as a result of the institutional mandate to curb expenditure on employee related costs as per the requirement and one of the conditions given to the Municipality by National Treasury.
- The department also has funded vacant posts.

Operating expenditure

- Under expenditure is due to unpaid invoices resulting from BTO system glitches.
- Delays in resuscitation of Recycling Program
- Late appointment of Service Provider for Institutional Bylaws and the Disaster Management Framework
- Delay in submission of outstanding invoice by SRK Consultants

Human Settlements

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	14,559,194	3,639,799	1,755,351	3,639,799	1,755,351	1,884,448	52%
Other operating Expenditure	5,327,015	1,331,754	128,318	1,331,754	128,318	1,203,436	90%
Capital Expenditure	182,502,557	45,625,639	20,355,215	45,625,639	20,355,215	25,270,424	55%

The table above indicates that the Human Settlements has underspent by R3.1 million which constitutes 62% of its operational budget with employee costs underspent by 52% and other operating expenditure have been underspent by 90%, underspent by 55% on capital expenditure.

Actual percentage of employee costs to actual total operating expenditure is 93%. In the IDP, the department has got two (2) strategic objectives. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

Water and Sanitation Services

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	232,562,742	58,140,686	66,726,049	58,140,686	66,726,049	(8,585,363)	-15%
Other operating Expenditure	406,642,000	101,660,500	44,870,479	101,660,500	44,870,479	56,790,021	56%
Capital Expenditure	1,024,703,645	256,175,911	163,264,984	256,175,911	163,264,984	92,910,928	36%

The table above indicates that the Water Services has underspent its projected operating expenditure budget by R48.2 million which constitutes 30% with employee costs overspent by 15% and other operating expenditure has been underspent by 56%, underspent by R92.9 million on capital budget which constitutes 36%.

Actual percentage of employee costs to actual total operating expenditure is 60%. In the IDP, the department has got four (4) strategic objectives. Organisational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

Technical Services

Description	Original Budget	YTD Projection	YTD Actual Outcome	Quarterly Projection	Actual Outcome	Quarterly Variance	Quarterly Variance %
Employee Costs	6,419,665	1,604,916	237,318	1,604,916	237,318	1,367,599	85%
Other operating Expenditure	4,715,000	1,178,750	340,382	1,178,750.00	340,382	838,368	71%
Capital Expenditure	14,649,816	3,662,454	4,145,367	3,662,454	4,145,367	(482,913)	-13%

The table above indicates that the Technical Services has underspent by R2.2 million which constitutes 79% on its operational budget with employee costs underspent by 85% and other operating expenditure has been underspent by 71%. Capital expenditure is overspent by R482 913 which constitutes 13%.

Actual percentage of employee costs to actual total operating expenditure is 41%. In the IDP, the department has got two (2) strategic objectives. Organizational structure is to enable achievement of the strategic objectives. Alignment of organizational structure with objectives is of paramount importance.

Explanation:

4.2.1 WORKING CAPITAL

4.2.2 DEBTORS

The debtors balance as at 30th September 2023 was R 806.3 million made up as follows:

Category	0 – 30 Days	61 -90 Days	91 -120 Days	121 -150 Days	151 - 180 Days	181 - 1 Year	Over 1 Year	Total
Government	22,756,309	1,935,227	2,092,197	1,519,954	1,469,779	22,729,280	28,633,387	88,290,079
Business	14,092,995	3,741,984	5,192,357	3,349,604	3,220,532	49,526,502	83,341,067	168,264,824
Households	22,903,753	12,496,118	26,286,567	8,569,965	8,263,060	134,645,575	270,442,953	499,294,322
Others	9,865,306	1,022,699	1,630,468	958,231	978,257	13,028,604	20,627,854	50,505,559
Total	69,618,363	19,196,028	35,201,589	14,397,754	13,931,628	219,929,961	403,045,261	806,354,784

Detailed Debtors

Sector	MONTHS	-	1.00	2.00	3.00	4.00	5.00	6.00	12.00	17.00	
	DAYS	CURRENT	30.00	60.00	90.00	120.00	150.00	180.00	360.00	credit	TOTAL (Rands)
	Debtors Balance as at 30th September 2023										
Domestic		9,717,273.54	12,035,622.31	14,868,256.52	12,423,797.04	26,021,865.71	8,505,269.21	8,201,558.29	91,038,228.90	-7,882,850.79	493,940,388.47
Government		9,607,464.75	10,764,352.21	5,889,004.15	1,291,901.68	1,392,731.97	970,827.11	952,436.39	9,110,275.92	-1,270,245.79	60,512,249.28
Business		7,114,307.49	6,978,688.20	5,799,783.34	3,741,984.03	5,192,357.37	3,349,604.29	3,220,532.19	32,115,468.95	-3,011,505.88	168,264,824.03
Municipality		1,208,595.48	1,175,896.55	1,264,942.27	643,325.10	699,464.77	549,127.25	517,342.56	6,011,638.20	-2,758,264.88	27,777,829.26
School		4,313,114.48	5,181,388.81	2,223,204.48	894,364.59	1,449,591.69	845,612.39	872,964.06	6,274,393.65	-693,198.35	39,709,042.43
Church		171,868.70	198,933.61	170,934.74	128,334.53	180,875.62	112,617.90	105,292.32	1,353,568.35	-134,738.00	10,796,516.47
Indigent		518,810.67	556,471.90	787,439.32	53,730.70	204,804.21	48,085.94	45,844.04	398,090.21	-218,102.79	4,064,208.46
Councillor		5,477.54	6,858.78	6,338.45	2,039.10	3,259.70	2,030.74	2,003.70	4,813.01	-2,501.95	58,334.49
Staff Members		37,378.96	25,858.73	24,296.58	16,551.12	56,637.50	14,578.73	13,654.33	151,418.40	-13,772.82	1,231,390.87
GRAND TOTAL		32,694,291.61	36,924,071.10	31,034,199.85	19,196,027.89	35,201,588.54	14,397,753.56	13,931,627.88	146,457,895.59	-15,985,181.25	806,354,783.76

- The debtors have increased by R47.3 million as compared to debtors as at 30th June 2023.

- There are legal disputes with Public Works and ECDC that are affecting government debtors.
- In discussions with local municipalities to pay outstanding debts. The biggest debt is from KSD.
- The biggest debt is from households, followed by businesses.

4.2.3 CASH AND CASH EQUIVALENTS

The table below reflects the balances at the end of the quarter:

BANK	AMOUNT
Main account	R16.2 million
Call and short term investments	R768.6 million

Cash flow projections

Description	Oct-23	Nov-23	Dec-23	Total Projected Collections
Service Charges (bills)	38,831,381.00	30,724,004.00	17,053,124.00	86,608,509
Interest on overdue accounts	924,439.00	2,631,569.00	1,181,603.00	4,737,611
	39,755,820.00	33,355,573.00	18,234,727.00	91,346,120
Less : Provision for debt impairment	-10,625,635	-10,625,635	-10,625,635	(31,876,905)
Projected Collections	29,130,185.00	22,729,938.00	7,609,092.00	59,469,215

The municipality has projected to collect R59.4 million from 1st October 2023 to 31st December 2023 on service charges.

Fixed Costs Projections Employee Related Costs

Description	October 2023	November 2023	December 2023	TOTAL
Employee related costs	60,576,024.50	60,576,024.50	60,576,024.50	181,728,074
Remuneration of councillors	2,126,126.75	2,126,126.75	2,126,126.75	6,378,380
TOTAL				188 106 454

The municipality has projected to spend R188.1 million on employee related costs from the 1st October 2023 to the 31st December 2023.

The following table below reflects cash flow projections for October 2023 to December 2023.

CASH FLOW PROJECTIONS FOR 3 MONTHS ENDING 31ST DECEMBER 2023

Description	Oct-23	Nov-23	Dec-23
Opening Balance Cash and cash equivalents	784,913,410.26	583,906,044.26	972,527,962.26
Projected Collection			
Service Charges	29,130,185.00	22,729,938.00	7,609,092.00
Grants Revenue	15,410,977.00	700,593,628.00	15,410,977.00
Vat refunds	14,272,803.00	12,560,779.00	13,995,544.00
Interest on investment	1,276,262.00	3,633,091.00	1,631,297.00
Total Revenue	845,003,637.26	1,323,423,480.26	1,011,174,872.26
Salaries	62,702,335.00	62,702,335.00	62,702,335.00
Grants Expenditure	122,734,676.00	119,597,665.00	94,210,199.00
Les Unspent conditional grant rollover 2022-2023 Not approved	-	108,900,000.00	-
General Expenditure	75,660,582.00	59,695,518.00	65,245,952.00
Total	261,097,593.00	350,895,518.00	222,158,486.00
Surplus/(Deficit)	583,906,044.26	972,527,962.26	789,016,386

4.2.4 CREDITORS

Creditors for September 2023 amounted to R131.3 million. For more details please refer to the summarised creditor's age analysis sheet as at 30th September 2023 below:

	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
BULK ELECTRICITY	-	-	-	-	-	-	-	-	-
BULK WATER	6,494,438.75	-	-	-	-	-	-	66,481,963.40	72,976,402.15
PAYE DEDUCTIONS	-	-	-	-	-	-	-	-	-
VAT (OUTPUT LESS INPUT)	-	-	-	-	-	-	-	-	-
PENSIONS / RETIREMENT DEDUCTIONS	-	-	-	-	-	-	-	-	-
LOAN REPAYMENTS	-	-	-	-	-	-	-	-	-
TRADE CREDITORS	11,226,304.63	4,810,470.63	14,546,716.92	7,375,062.33	16,108,960.06	825,670.00	542,718.40	986,699.26	56,422,602.23
AUDITOR GENERAL	980,406.40	-	-	-	-	-	-	-	980,406.40
OTHER	14,700.00	-	-	-	-	-	-	973,087.00	987,787.00
	18,715,849.78	4,810,470.63	14,546,716.92	7,375,062.33	16,108,960.06	825,670.00	542,718.40	68,441,749.66	131,367,197.78
	14%		86%						-

The biggest creditors are Department of Water Affairs for bulk water and KSD municipality for electricity.

A payment arrangement was made with some creditors, especially travel agencies. Departments were requested to confirm if services were rendered where there were no supporting documents as resolved by Council. The payment of creditors was affected by the network problem which occurred on the 1st September 2023.

DISCUSSION OF BUDGET IMPLEMENTATION AND FINANCIAL STATE OF AFFAIRS

4.3 BUDGET IMPLEMENTATION

Discussion of the revenue sources as per projected collections in terms of the approved budget and actual collections thereof.

Own revenue

The total own projected revenue for the quarter amounted to R151.5 million which comprises of service charges bills of R105.8 million, interest received for investments and debtors amounting to R14 million, VAT refunds and agency fees, amounted to R 31.7 million.

The quarterly projections for water and sanitation collections comprise of service charges (bills), interest on overdue accounts, provision for doubtful debt and the total quarterly collections are depicted by the table below:

Description	Amount
Service Charges (bills)	105,805,980
Interest on overdue accounts	5,897,583
	111,703,563
Less : Provision for debt impairment	-31,876,905
Projected Collections	79,826,658

For the quarter, it was anticipated that the bills which would be issued to the consumers would be R105.8 million. The provision for doubtful debt spread for the quarter was R31.8 million. The projected net amount to be collected for the quarter was R79.8 million.

In order to determine the projected collections for service charges, the bills should be projected using the total number of consumers and the tariff to be charged in order to determine the bills. Then projections for the debtors that are unlikely to pay their bills is determined also through the trends and patterns of payments specifically using the age analysis of debtors and determine the doubtful debts. Then from the bills projected, the doubtful debts are deducted in order to determine the realistic amount that is anticipated to be collected which is in this quarter amounting to R 79.8 million. For the quarter, the actual amount collected from the consumers amounted to R56.5 million which is less than planned collections resulting in a negative variance of actual cash collected amounting to R23.2 million which is 29.14% less compared to the projections. The under collection was affected by the network problems that the municipality had from the 1st September 2023.

Interest projections:

Interest on investments projections for the quarter was R8.1 million and actual interest earned was R18.1 million, thereby leaving a positive variance of R10 million. This is mainly due to investing on higher return investments. Interest on outstanding debtors projection for the quarter was R5.8 million and actual interest recognized was R7.4 million resulting in variance of R1.5 million.

Transfers recognized – Operating

Includes Equitable Share, Finance Management Grant (FMG) and EPWP. Projections amounted to R450.4 million for the quarter whilst the actual amounted to R472.1 million resulting in a positive variance of R21.7 for the quarter.

Transfers recognized – Capital

Includes Municipal Infrastructure Grant (MIG), Water Services Infrastructure Grant (WISG), Regional Bulk Infrastructure Grant (RBIG) and Rural Roads Asset Management (RRAM). Projected at R318.1 million whilst actually received R253 million resulting in R65.1 million negative variances. The payment schedule is not always the same.

Other revenue

Comprises of Vat refund and agency fees. Projected revenue was R35.5 million and actual revenue amounted to R41.5 million resulting in a positive variance of R6 million. This is mainly due to VAT refunds which have been received in the current quarter.

Operating Expenditure

Employee Costs

Quarterly projection for employee costs amounted to R181.7 million whilst actual outcome amounted to R168.1 million resulting in R13.6 million positive variance.

- Salaries and wages consist of basic salaries and annual bonuses. 95% of the budget for 30 September 2023 for basic salaries and Bonus has been spent.
- Travel, motor car, allowances consist of travelling allowance 83% of the budget has been spent.
- Contribution to pensions and medical aid is the municipal contribution to these funds, 80% of the budget has been spent.
- Housing allowance is paid to every permanent employee of the district. 82% of the budget has been spent.
- Overtime we spent 62% of the budget has been spent.
- Leave pay consist of the leave gratuity. On leave pay we have spent 16% of the budget has been spent.
- Skills levy is the amount that is contributed by the municipality to SARS on behalf of SETA. Municipality contributes 1% of employee taxable income.
- UIF we spent 86%
- Cellphone 50% was spent.

EXPENDITURE	EXPENDITURE 1st Quarter	QUARTELY BUDGET	% OF BUDGET SPENT
Salaries and wages	118,848,589.55	124,497,386.95	95%
Contributions for pensions & medical aid	20,016,623.37	24,988,763.46	80%
Travel, motor car allowances	10,329,664.49	12,439,190.19	83%
Housing benefits and allowances	5,194,725.32	6,322,186.53	82%
Overtime payments	3,371,519.04	5,449,379.95	62%
Cellphone	722,170.93	1,450,572.68	50%
UIF	621,273.06	719,371.61	86%
SALGBC	33,918.70	42,813.27	79%
Skills Development Levy	1,681,890.32	1,850,648.33	91%
Group Life insurance	6,671,873.57	2,945,076.21	227%
Leave Pay	296,111.76	1,847,988.50	16%
Post Retirement Benefit	-	201,617.49	0%
Long Service	152,395.01	60,695.26	63%
Acting Allowance	204,971.88	116,146.10	44%
Total expenditure	168,145,727.00	181,728,609.40	93%

Councilors Remuneration

Councilor's remuneration was projected at R6.3 million for the quarter, but actual outcome being R5.4 million resulting in R987 616 positive variance.

Bulk Purchases/Inventory consumed

Actual spending amounted to R16.8 million whilst R19.8 million was projected. This is dependent on the requests for materials in cases of pipe bursts and leaks and receiving invoices from DWA.

Contracted Services

Projected at R34.7 million and R21.9 million was actually spent resulting in R12.8 million positive variances being 37%. This is mainly due to some invoices for the current quarter that have not been paid.

Transfers and Grants

The actual expenditure as at end of quarter was R29.1 million against R16.5 million projected which is R12.6 million more than projected.

Other Expenditure

Projected at R137.4 million but actually spent R48.4 million resulting in variance of R89 million being 65%. This is due to the fact that some of the invoices have not yet been received.

Capital Expenditure

Projected at R336 million but actual spending is R188.8 million resulting in a positive variance of R147.2 million being 44% overspending. This is mainly due to the underspending on conditional grants.

Asset Management

Movable assets

The verification of movable assets has been Complete at all sites, there are no new acquired new moveable assets

Infrastructure assets

AGSA and Asset unit during September were busy with verification of a WIP register of which we are at 98% finished only left with only two projects to be verified.

Good work in improving the quality of the Infrastructure Asset Register is unfolding, the idea of parent coding , unbundling and so forth.

Disposal of Municipal Asset

Through legal department a conflict between Riley Auctioneer and the institution is about to be resolved hence, there is clear commitment from the side of the Auctioneer to payback the money that outstanding from the previous Auction.

Insurance Claims

All municipal assets are insured with Kunene Makopo Insurance. All municipal assets damages, accidents, losses, etc including third party claims are reported to the insurance company. In this financial year (2023) the municipality has submitted six (6) claims to date, below is the summary:

The purpose of this report is to apprise the risk management committee on the following issues:

2023/2024 1st Quarter Report on State of Financial Affairs (s52(d))

Asset Losses.

Insurance claims and;

Repairs and Maintenance expenditure

ASSET LOSSES

This relates to assets stolen or lost, etc. The officials must open the case at the police station and submit this information to the asset management unit for insurance claims.

Asset Losses Summary

Losses	Amount
Q1	0
Grand Total	0

Quarter 1

There were no losses reported to the asset management unit this term.

INSURANCE CLAIMS

All municipal assets are insured with Kunene Makopo Insurance. All municipal assets damages, accidents, losses, etc including third party claims are reported to the insurance company. In this quarter the municipality has submitted six (6) claims.

Insurance Claims Summary

Accident	Amount
Q1	68,539.55
Grand Total	68,539.55

Quarter 1

Six claims were submitted in this quarter which relates to vehicle damages and server power usage. The two motor vehicles are repaired and on site working, and the other three motor vehicles are waiting for parts. The IT unit to submit quote to insurance for the server.

REPAIRS AND MAINTENANCE EXPENDITURE

BTO is responsible for all assets repairs and maintenance except for infrastructure assets which is budgeted under Department of Water and Sanitation. Assets that need repairs and maintenance are reported to asset management unit. In this financial year (2023) 37 out of 106 motor vehicles were handed over to panel beaters for repairs and maintenance.

Repairs and Maintenance Fleet Costs Summary

Fleet	Amount
Q1	820,692.05
Grand Total	<u>820,692.05</u>

Quarter 1

All the vehicles reported for repairs and maintenance in this quarter were fixed and released are onsite working, but the panel beater has not yet been paid. The batteries were also replaced, and service provider has not yet been paid

mSCOA Compliance

The municipality has only successfully submitted the July 2023 mSCOA data strings during the quarter within the deadlines. The municipality had a network problem since the 1st September 2023. The system was down and the municipality could not operate. . A letter was sent to the National Treasury on the 12th September 2023 requesting an extension in submitting the reports citing the challenges that the municipality was encountering. It was noted but not approved as data strings upload are locked on GoMuni after the due date. The National Treasury requested the we consolidate our August Data strings with the September 2023 data strings so as to have the information of the municipality for the first quarter to be fully populated. The Data strings will be consolidated but September 2023 has already been locked on GoMuni since the 14th October 2023. The municipality has since loaned two servers from BCX and ICT Choice while procurement processes continue to unfold. September was only closed on the 20th October 2023.

The following mSCOA data strings were successfully submitted:

Monthly Actuals for July 2023.

Monthly Aged Creditors for July 2023, September 2023.

Monthly Aged Debtors for July 2023.

Quarterly Borrowing and Monitoring Q1.

4.4 FINANCIAL STATE OF AFFAIRS

4.4.1 DEBTORS

The debtors balance as 30th September 2023 was R806.3 million. The debtors have increased as compared to the balance of R759 million as at 30th June 2023.

Of the total amount due of R806.3 million, R39.7 million is from the Schools, R88.2 million is from the government departments and Municipalities, R168.2 million is from the business, R493.9 million from domestic, R10.7 million from churches. The full implementation of credit control policy will ensure that the debt book is significantly reduced. This will be achieved if the Revenue section is fully resourced to ensure the full compliance with section 63 of MFMA. This will also ensure that all the assertions relating to debtors such as existence, completeness, valuation, accuracy and correct classification of debtors, are all adhered to.

4.4.2 CASH AND CASH EQUIVALENTS

The total cash of R784.9 million.

4.4.3 CREDITORS

The total creditors to date is amounting to R131.3 million. This figure excludes some accrual.

5. FINANCIAL IMPLICATION

The non-monitoring of cash-flow projections may negatively affect the cash flow of the institution. Commitments above the approved amount may put a strain on the financial resources of the DM. Noncompliance with DORA in spending or underspending of conditional grants will result in withholding of the grants which may subsequently revert back to national treasury

6. COMMENTS

Revenue –

- Collections were under collected for the quarter.

- Interest on investment was more by R10 million.
- The National Treasury has not approved an application for rollovers from 2022-2023 amounting to R108.9 million which was unspent conditional grants. The amount will have to be returned back to the National Treasury or it will be deducted in our second trench for equitable share in December 2023

Expenditure –

- Overall underspending on both operating and capital expenditure.

Debtors –

- Slight increase from the previous quarter.

Creditors

- To be paid in the following quarters and will stretch the funds for the next financial year.

7. RECOMMENDATION

It is therefore recommended that:

- Mayoral Committee notes the 2023/24 First Quarter Report On State of Financial Affairs; and
- Executive Mayor to present 2023/24 First Quarter Report On State of Financial Affairs Section 52(d) to Council.