



COUNCIL

REPORT TO COUNCIL ON SECTION 52(d) OF THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA)

Date: December 2023

Levels: 1st Level: Council

Prepared By: Beauty Rooibaadjie

1. PURPOSE

Report to council on Section 52(d) of the Municipal Finance Management Act (MFMA) for 2023/2024, Second Quarter.

2. LEGAL / STATUTORY REQUIREMENTS

Municipal Finance Management Act

3. AUTHORITY

Council

4. BACKGROUND AND REASONING

The purpose of this report is firstly to comply with Section 52(d) of the Municipal Finance Management Act (MFMA), by submission of a report to the Council on the implementation of the budget. The report provides a quarterly overview of the financial performance of the municipality, whilst it also provides a monitoring tool for Council on the non-finance indicators which is part of the Service Delivery and Budget Implementation Plan. The report's strategic objective is to ensure good governance, provide a monitor tool for financial viability as well as to provide Council with the necessary information to make informed decisions.



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VERW./REF

Datum:
Letlha:
Date: 25 January 2024

From the Office of the Municipal Manager

EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD AT 10H00 ON THE
....., AT COUNCIL CHARBER, DANIĒLSKUIL.

RESOLUTION NO:

**AGENDA ITEM/SUBJECT: REPORT ON SECTION 52(d) OF THE MUNICIPAL FINANCE
MANAGEMENT ACT (MFMA)**

Council at its meeting held on the considered the above matter.

Following discussion, it was

RESOLVES AS FOLLOWS:

1. THAT Council note of the Budget and Treasury Finance Management Report (MFMA Section 52 report) for the quarter ending 31 December 2023, on the implementation of the budget and the financial state of affairs of the Municipality.
2. THAT Council note the quarterly reports tabled in terms of Section 52(d), thereafter the report be published in official website of the Municipality.

CERTIFIED A TRUE EXTRACT OF THE ORIGINAL MINUTES

NAME OF MUNICIPAL MANAGER : MR WILLIE BLUNDIN

SIGNATURE OF MUNICIPAL MANAGER :

DATE OF SIGNATURE :

Section 52 (d) of the MFMA requires that:

The mayor of a 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.

Attached please find the Section 52(d) Interest Portfolio Quarterly Report ended December 2023

| DAY TO DAY | | | | | | | | |
|------------------------------------|----------------|-----------------------------|-------------------------------|-------------------------|-----------------------|------------------------|---------------------------------|---------------------|
| ACCOUNT NAME | ACCOUNT NUMBER | INTEREST EARNED _ JULY 2023 | INTEREST EARNED _ AUGUST 2023 | EARNED _ SEPTEMBER 2023 | EARNED _ OCTOBER 2023 | EARNED _ NOVEMBER 2023 | INTEREST EARNED _ DECEMBER 2023 | Mid Year Total |
| CHEQUE ACCOUNT | 52003878794 | 41 839.17 | 26 327.31 | 8 585.36 | 8 585.36 | 8 741.01 | 28 500.23 | 122 578.44 |
| CORPORATE (TRAFFIC) | 62798890630 | 12.74 | 11.57 | - | - | - | - | 24.31 |
| TOTAL | | 41 851.91 | 26 338.88 | 8 585.36 | 8 585.36 | 8 741.01 | 28 500.23 | 122 602.75 |
| SAVINGS AND INVESTMENT | | | | | | | | |
| ACCOUNT NAME | | | | | | | | |
| WSIG | 62714846500 | 7.19 | 33 097.68 | 21 186.48 | 21 186.48 | 1 762.15 | 41.51 | 77 281.49 |
| DISASTER MANAGEMENT | 62822654530 | 8.12 | 8.11 | 7.85 | 7.85 | 7.84 | 8.12 | 47.89 |
| EPWP | 62627396915 | 277.10 | - | 1 136.88 | 1 136.88 | 148.85 | 262.46 | 2 962.17 |
| FMG | 62627396155 | 7.28 | 1 654.19 | 14 660.09 | 14 660.09 | 5 645.88 | 3 300.98 | 39 928.51 |
| ENERGY | 62289233547 | 58.07 | 21.32 | 20.56 | 20.56 | 21.25 | 19.90 | 161.66 |
| LIBRARY | 62627394498 | 99.34 | - | - | - | 1 746.67 | 1 404.42 | 3 250.43 |
| MIG | 62021476313 | 107 663.93 | 157 609.59 | 159 117.57 | 159 117.57 | 152 252.90 | 29 354.88 | 765 116.44 |
| EQUITABLE SHARE | 62627395347 | 20.54 | 21.26 | 21.32 | 21.32 | 20.56 | 19.21 | 124.21 |
| 7 DAYS INVESTMENT | 76200036773 | 281 347.00 | 288 278.01 | 177 385.82 | 177 385.82 | 154 503.68 | 85 738.92 | 1 164 639.25 |
| RETENTION | 76200036773 | 4 580.60 | 9 130.85 | 17 551.16 | 20 385.68 | 29 447.22 | 24 364.73 | 105 460.24 |
| TOTAL | | 394 069.17 | 489 821.01 | 391 087.73 | 393 922.25 | 345 557.00 | 144 515.13 | 2 158 972.29 |
| DAY TO DAY & INVESTMENT | | 435 921.08 | 516 159.89 | 399 673.09 | 402 507.61 | 354 298.01 | 173 015.36 | 2 281 575.04 |

Interest Portfolio: Interest earned as at 31 December 2023 sits at a balance of R 2 281 575.04. The municipality was able to meet its monthly fixed operating commitments from cash and short – term interest received for Second Quarter.

Attached please find the Section 52(d) Investment Portfolio Quarter Report ended 31 December 2023

| CASH BALANCES SECOND QUARTER - DECEMBER 2023 | | | |
|---|-----------------------|-------------------------------------|-------------------------------------|
| ACCOUNT NAME | ACCOUNT NUMBER | FIRST QUARTER SEPTEMBER 2023 | SECOND QUARTER DECEMBER 2023 |
| CHEQUE ACCOUNT | 52003878794 | 1 505 156.71 | 4 723 108.28 |
| TOTAL | | 1 505 156.71 | 4 723 108.28 |
| SAVINGS AND INVESTMENT | | | |
| ACCOUNT NAME | | | |
| WSIG | 62714846500 | 1 229 306.01 | 7 106.91 |
| DISASTER MANAGEMENT | 62822654530 | 1 443.60 | 1 443.87 |
| EPWP | 62627396915 | 66 580.00 | 438 842.46 |
| FMG | 62627396155 | 1 495 988.74 | 542 909.71 |
| ENERGY | 62289233547 | 500.03 | 5 021.28 |
| LIBRARY | 62627394498 | - | 227 521.66 |
| MIG | 62021476313 | 27 661 288.56 | 4 777 644.76 |
| EQUITABLE SHARE | 62627395347 | 5 000.00 | 5 019.21 |
| 7 DAYS INVESTMENT | 76200036773 | 26 383 977.68 | 10 365 999.63 |
| RETENTION | 76200036773 | 3 235 737.37 | 3 951 579.09 |
| TOTAL | | 60 079 821.99 | 20 323 088.58 |
| DAY TO DAY & INVESTMENT | | 61 584 978.70 | 25 046 196.86 |

Investment Portfolio: Cash and Cash Equivalents as at 31 December 2023 sits at a balance of R 61, 589 478.70. The municipality won't be able to meet some of its monthly fixed operating commitments on outstanding creditors due to cash flow problems. We will however be able to meet the one's funded through capital grants and operating grants.

Attached please find the Section 52(d) Revenue Reports Quarterly Report ended 31 December 2023

NC086 Kgatelopele - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

| Description | Ref | 2022/23 | Budget Year 2023/24 | | | | | | | Full Year Forecast |
|--|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|-----------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | |
| R thousands | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| Exchange Revenue | | | | | | | | | | |
| Service charges - Electricity | | 24 653 | 25 468 | - | 2 182 | 14 074 | 12 734 | 1 340 | 11% | 25 468 |
| Service charges - Water | | 10 988 | 14 518 | - | 793 | 2 156 | 7 259 | (5 103) | -70% | 14 518 |
| Service charges - Waste Water Management | | 4 466 | 7 226 | - | 383 | 2 217 | 3 613 | (1 396) | -39% | 7 226 |
| Service charges - Waste management | | 7 617 | 11 542 | - | 642 | 4 077 | 5 771 | (1 693) | -29% | 11 542 |
| Sale of Goods and Rendering of Services | | 90 | 56 | - | 4 | 38 | 28 | 10 | 36% | 56 |
| Agency services | | - | 100 | - | - | - | 50 | (50) | -100% | 100 |
| Interest | | - | - | - | - | - | - | - | - | - |
| Interest earned from Receivables | | 3 427 | 4 101 | - | - | 808 | 2 050 | (1 243) | -61% | 4 101 |
| Interest from Current and Non Current Assets | | 5 605 | 3 570 | - | 0 | 1 851 | 1 785 | - | - | 3 570 |
| Dividends | | - | - | - | - | - | - | - | - | - |
| Rent on Land | | - | - | - | - | - | - | - | - | - |
| Rental from Fixed Assets | | 149 | 189 | - | 22 | 89 | 94 | (5) | -5% | 189 |
| Licence and permits | | 428 | 1 000 | - | 58 | 512 | 500 | 12 | 2% | 1 000 |
| Operational Revenue | | 41 | 20 | - | - | - | 10 | (10) | -100% | 20 |
| Non-Exchange Revenue | | | | | | | | | | |
| Property rates | | 14 766 | 16 776 | - | 1 335 | 7 967 | 9 830 | (1 863) | -19% | 16 776 |
| Surcharges and Taxes | | - | 9 146 | - | - | - | 4 573 | (4 573) | - | 9 146 |
| Fines, penalties and forfeits | | 5 | 80 | - | - | 4 | 40 | (36) | - | 80 |
| Licence and permits | | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies - Operational | | 35 663 | 38 448 | - | - | 14 031 | 19 224 | (5 193) | - | 38 448 |
| Interest | | 1 086 | 1 116 | - | - | 319 | 558 | (239) | - | 1 116 |
| Fuel Levy | | - | - | - | - | - | - | - | - | - |
| Operational Revenue | | - | - | - | - | - | - | - | - | - |
| Gains on disposal of Assets | | (1 338) | - | - | - | - | - | - | - | - |
| Other Gains | | 284 | - | - | - | - | - | - | - | - |
| Discontinued Operations | | - | - | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 107 932 | 133 354 | - | 5 420 | 48 144 | 68 119 | (19 975) | -29% | 133 354 |

Revenue management report sits at 29% at the end of the second quarter, which is 21% less than what we have projected of 50%. But still we need to do credit control weekly so that we get what was projected in the Original Budget for revenue of which we said we are going to collect 85% of the outstanding debtors cause if we take out grants recognition the income is less.

Attached please find the Section 52(d) Revenue Reports Quarterly Report ended 31 December 2023

| NC086 Kgatelopele - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December | | | | | | | | | | |
|--|-----|-----------------|---------------------|-----------------|----------------|----------------|---------------|-----------------|----------------|--------------------|
| 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 | | 42 346 | 50 164 | - | 3 497 | 22 046 | 24 680 | (2 634) | -11% | 50 164 |
| Remuneration of councillors | | 4 714 | 3 885 | - | 420 | 2 680 | 1 942 | 737 | 38% | 3 885 |
| Bulk purchases - electricity | | 24 352 | 25 622 | - | - | 11 517 | 12 811 | (1 294) | | 25 622 |
| Inventory consumed | | 3 438 | 2 100 | - | 27 | 397 | 1 050 | (653) | | 2 100 |
| Debt impairment | | - | 4 687 | - | - | - | 2 343 | (2 343) | -100% | 4 687 |
| Depreciation and amortisation | | 14 949 | 15 463 | - | - | - | 7 732 | (7 732) | -100% | 15 463 |
| Interest | | 2 607 | 1 200 | - | - | 447 | 600 | (153) | -26% | 1 200 |
| Contracted services | | 17 542 | 13 951 | - | 990 | 7 889 | 6 976 | 913 | 13% | 13 951 |
| Transfers and subsidies | | - | - | - | - | - | - | - | | - |
| Irrecoverable debts written off | | 9 349 | - | - | - | - | - | - | | - |
| Operational costs | | 12 377 | 15 827 | - | 295 | 5 141 | 7 913 | (2 772) | -35% | 15 827 |
| Losses on Disposal of Assets | | - | - | - | - | - | - | - | | - |
| Other Losses | | - | - | - | - | - | - | - | | - |
| Total Expenditure | | 131 675 | 132 898 | - | 5 230 | 50 116 | 66 047 | (15 931) | -24% | 132 898 |
| Surplus/(Deficit) | | (23 743) | 456 | - | 190 | (1 972) | 2 072 | (4 044) | (0) | 456 |

Expenditure management report sits at R 50 116 000 at the end of the second quarter, which is 24% less than what we have projected. More expenditure is expected to be incurred in the up-and-coming quarters as more contracts will be awarded going forward and some projects are planned to take place during the 3rd and 4th quarters as per approved procurement plan. Please note that all creditors weren't paid within 30 days as stipulated in Section 65 of the MFMA, due to cash flow problems of the municipality.

Attached please find the Section 52(d) Allocations and Grants Quarter Report ended 31 December 2023

| Allocations | Final Budget 2023-2024 | Allocations Received YTD | Actuals Expenditure - December 2023 | Unspent YTD | %Expenditure Against Allocation |
|------------------------------------|------------------------|--------------------------|-------------------------------------|-------------------|---------------------------------|
| Financial Management Grant | R3 100 000 | R3 100 000 | R2 567 833 | R532 167 | 83% |
| Library Grant | R1 147 000 | R573 500 | R426 638 | R146 862 | 74% |
| Expanded Public Works Programme | R960 000 | R672 000 | R233 420 | R438 580 | 35% |
| Municipal Infrastructure Grant | R8 677 000 | R4 550 000 | R4 550 000 | R0 | 100% |
| Water Service Infrastructure Grant | R12 975 000 | R10 381 000 | R8 384 045 | R1 996 955 | 81% |
| Total | R26 859 000 | R19 276 500 | R16 161 936 | R3 114 564 | 84% |

Financial Management Grant (FMG) – The municipality had spent 83% on this grant, the municipality is on track to achieve its 100% target. The expenditure for second quarter sitting at R 2 567 833, unspent R 532 167.

Library Grant – The municipality had spent 74%, municipality is on track to achieve its 100% by end of June, unspent R146 862.

Expanded Public Works Program (EPWP) second quarter allocation received R432 000 received, expenditure to date for second quarter R 233 420 the municipality had spent 35% the target is not achieved for second quarter due to the allocation was only received on the

19 December 2023, there will be improvement for third quarter. In total allocation received R 672 000 unspent R 438 580.

Municipal Infrastructure Grant (MIG) received for second quarter R2 250 000 on the 8 December 2023, expenditure to date for second quarter was R 4 550 000, which amounts to 100% of allocation received thus far. The last allocation will be received in March 2024.

Water Service Infrastructure Grant (WSIG) the municipality received R 3 893 000 in the second quarter, expenditure to date for second quarter is R 8 384 045, the municipality had spent 81% on this grant, the spending is on track to achieve our 100% target.

The municipality has spent 84% of the allocated amount which is above 50% projected at the beginning of the financial year, more expenditure is expected to be incurred in the coming quarters as this is still second quarter.

Attached please find the Section 52(d) Outstanding debtors Report – Second Quarter Report ended 31 December 2023

NC086 Kgatelopele - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

| Description | NT Code | Budget Year 2023/24 | | | | | | | | | Total | Total over 90 days | 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 Days | 151-180 Days | 181 Dya-1 Yr | Over1Yr | | | | | |
| R thousands | | | | | | | | | | | | | | |
| Debtors Age Analysis By Income Source | | | | | | | | | | | | | | |
| Trade and Other Receivables from Exchange Transactions - Water | 1200 | 1 098 | 679 | 626 | 922 | 790 | 599 | 3 454 | 15 832 | 24 001 | 21 398 | – | – | |
| Trade and Other Receivables from Exchange Transactions - Electricity | 1300 | 1 047 | 443 | 267 | 200 | 184 | 144 | 622 | 3 639 | 6 547 | 4 789 | – | – | |
| Receivables from Non-exchange Transactions - Property Rates | 1400 | 1 274 | 773 | 622 | 594 | 574 | 472 | 2 927 | 8 556 | 15 791 | 13 122 | – | – | |
| Receivables from Exchange Transactions - Waste Water Management | 1500 | 420 | 316 | 287 | 280 | 276 | 397 | 1 407 | 7 545 | 11 000 | 10 008 | – | – | |
| Receivables from Exchange Transactions - Waste Management | 1600 | 763 | 670 | 641 | 593 | 349 | 463 | 1 409 | 7 164 | 12 050 | 9 976 | – | – | |
| Receivables from Exchange Transactions - Property Rental Debtors | 1700 | 8 | 6 | 5 | 3 | 3 | 9 | 8 | 42 | 79 | 60 | – | – | |
| Interest on Amount Debtor Accounts | 1810 | – | 184 | 183 | 363 | 506 | 23 | 2 345 | 6 467 | 10 071 | 9 704 | – | – | |
| Recoverable unauthorised, irregular, fruitless and wasteful expenditure | 1920 | – | – | – | – | – | – | – | – | – | – | – | – | |
| Other | 1990 | (164) | (19) | (14) | (10) | (9) | (13) | (28) | 1 129 | 590 | 1 077 | – | – | |
| Total By Income Source | 2600 | 4 446 | 3 063 | 2 818 | 2 945 | 2 678 | 2 099 | 12 146 | 59 274 | 89 460 | 79 133 | – | – | |
| 2022/23 - Totals only | | | | | | | | | | | | | | |
| Debtors Age Analysis By Customer Group | | | | | | | | | | | | | | |
| Organs of State | 2200 | 102 | 91 | 69 | 48 | 31 | 6 | 299 | 511 | 1 158 | 896 | – | – | |
| Commercial | 2300 | 1 190 | 645 | 515 | 437 | 186 | 144 | 775 | 2 925 | 6 816 | 4 467 | – | – | |
| Households | 2400 | 2 631 | 1 903 | 1 888 | 2 089 | 2 093 | 1 654 | 9 902 | 41 187 | 63 347 | 66 925 | – | – | |
| Other | 2500 | 523 | 425 | 347 | 371 | 366 | 265 | 1 170 | 5 651 | 9 109 | 7 544 | – | – | |
| Total By Customer Group | 2600 | 4 446 | 3 063 | 2 818 | 2 945 | 2 678 | 2 099 | 12 146 | 59 274 | 89 460 | 79 133 | – | – | |

The municipality is seeing a decline in the collection rate of our debtors. First quarter outstanding debtors was sitting at R 78 565 million, Second quarter outstanding debtors R 80 460 million, debtors had increase with R 1 895 million.

Attached please find the Section 52(d) Outstanding Creditors – Second Quarter Report ended 31 December 2023

NC086 Kgatelopele - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

| Description | NT Code | Budget Year 2023/24 | | | | | | | | | Prior year bbls 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 | – | 4 856 | – | – | 4 434 | – | 6 003 | 2 295 | 17 588 | 17 588 |
| Bulk Water | 0200 | – | – | – | – | – | – | – | – | – | – |
| PAYE deductions | 0300 | – | – | – | – | – | – | – | – | – | – |
| VAT (output less input) | 0400 | – | – | – | – | – | – | – | – | – | – |
| Pensions / Retirement deductions | 0500 | – | – | – | – | – | – | – | – | – | – |
| Loan repayments | 0600 | – | – | – | – | – | – | – | – | – | – |
| Trade Creditors | 0700 | 35 | 111 | 63 | 1 | – | 68 | 1 480 | 8 426 | 10 184 | 10 184 |
| Auditor General | 0800 | – | 253 | – | – | 8 | – | 832 | 9 881 | 10 975 | 10 975 |
| Other | 0900 | 3 | – | (9) | – | 32 | 2 | 526 | 244 | 798 | 798 |
| Total By Customer Type | 1000 | 38 | 5 220 | 54 | 1 | 4 474 | 71 | 8 841 | 20 846 | 39 545 | 39 545 |

The municipality outstanding creditors is R 39 545 million, creditors are not paid according to Section 65 of the MFMA, first quarter outstanding creditors was sitting at R 37 876 the municipality’s creditor’s increase with R 1 669 million. The municipalities highest three creditors are Eskom, Auditor general and Department Transport, Safety and Liaison.

Other Parties Consulted

1. Office of the Municipal Manager
2. Provincial Treasury

Recommendations:

1. That Council take notes of the Budget & Treasury Finance Management Report (MFMA Section 52 Report) for the quarter ending 31 December 2023 on the implementation of the budget and the financial state of affairs of the municipality and that the quarterly report tabled in the council in terms of Section 52(d) council must therefore take note this report will be published in official website of the Municipality.