



***MONTHLY BUDGET STATEMENT:
S71 MONTHLY REPORT: FEBRUARY 2024***

To comply with section 71 of the MFMA and the requirements as promulgated in the MBRR Government Gazette No 32141 of 17 April 2009 by submitting the Monthly Budget Statement to the Executive Mayor, National and Provincial Treasury within 10 working days after the end of each month, containing prescribed financial performance particulars for that reporting month and for the financial year up to the end of that month.

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Due date: 14 March 2024

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List of Abbreviations and Acronyms used in the Monthly Budget Statement

AFS – Annual Financial Statements
AGSA - Auditor-General of South Africa
BTO - Budget and Treasury Office
CAPEX – Capital Expenditure
CFO - Chief Financial Officer
COGHSTA - Department of Co-operative Governance, Human Settlement and Traditional Affairs
DBSA - Development Bank of South Africa
DoRA - Division of Revenue Act
DPW – Department of Public Works
DSAC – Department of Sports, Arts and Culture
DWS - Department of Water and Sanitation
ED - Executive Director
EEDG - Energy Efficiency and Demand Side Management Grant
EPWP - Expanded Public Works Programme
FMG – Financial Management Grant
FY – Financial Year
GG – Government Gazette
GRAP - Generally Recognised Accounting Practices
GURP - Galeshewe Urban Renewal Programme
IDP - Integrated Development Plan
INEP - Integrated National Electrification Programme
ISDG - Infrastructure Skills Development Grant
IT - Information Technology
IUDG –Integrated Urban Development Grant
IYM – In-year Monitoring
KPA or KPI - Key Performance Area or Indicator
MBRR - Municipal Budget and Reporting Regulations (GG 32141 of 17 April 2009)
MBS – Monthly Budget Statement
MFMA - Municipal Finance Management Act (Act 56 of 2003)
MIG - Municipal Infrastructure Grant
MM - Municipal Manager
MSA - Municipal Systems Act
MSIG - Municipal Systems Improvement Grant
MTREF - Medium Term Revenue and Expenditure Framework
NDPG - Neighbourhood Development Partnership Grant
NERSA - National Energy Regulator of South Africa (“the Regulator”)
NT - National Treasury
OPEX – Operational Expenditure
O/S - Outstanding
PPE - Property, Plant and Equipment
R&M - Repairs and Maintenance
SALGA - South African Local Government Association
SCM - Supply Chain Management
SCOA – Standard Chart of Accounts
SDBIP - Service Delivery and Budget Implementation Plan
SEDP - Strategic Economic Development and Planning
SLA - Service Level Agreement
SMME - Small, Medium and Micro Enterprises
SPCA - Society For The Prevention Of Cruelty To Animals
SPLM - Sol Plaatje Local Municipality
VAT – Value Added Tax
YTD – Year to date
WRM - Water Resource Management
WRL - Water Research Levy
WSIG – Water Services Infrastructure Grant

PART 1: IN-YEAR REPORT

TO: THE EXECUTIVE MAYOR

DIRECTORATE: FINANCIAL SERVICES: BUDGET & TREASURY OFFICE: MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): SECTION 71: IN-YEAR MONTHLY BUDGET STATEMENT: S71 MONTHLY REPORT FOR THE PERIOD ENDING 29 FEBRUARY 2024

1. Purpose

The purpose of this report is to comply with section 71 of the MFMA and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009 by the submission of a monthly budget statement to the Executive Mayor, National and Provincial Treasury containing prescribed financial performance particulars for that reporting month and for the financial year up to the end of that month, as legislated.

The municipality realises, the critical importance of having a minimum 3 month's cash coverage which is a sound directive and required norm from National Treasury. This has been the focus of the municipality for the past few months to ensure that Sol Plaatje Municipality recovers fully to ensure its sustainability and financial viability. Serious actions will have to be taken to realise this target and Council's buy-in be secured, to the turn the municipality around is critically important.

The municipality's main goal is to remain positive and committed in stabilising the municipality, improving its cash position and improving on quality service being rendered. The municipality is facing serious challenges pertaining to the debt owed to Eskom and the Department of Water and Sanitation. And as a show of good faith, the municipality has been paying what it can afford in terms of available cash, however both commitments are one of our top priorities. The municipality's main objective is to keep communication open and maintain an amicable working relationship with both institutions, as formal disputes and litigation can have serious repercussions for the municipality and the community at large. The escalation in debt owed to ESKOM and DWS is a major concern. The three high months billed for electricity is detrimental to the cash flow of the municipality and a mammoth task to settle in full, based on our current collection trend. The municipality settled an amount of R45,000 million on current account excluding interest amounting to R63,044 million on 28 February 2024. The shortfall of R18,044 million was settled on 4 March 2024, as per the due date. Due to the debt agreement with DWS and the Incentive scheme initiated by the Department, the municipality has made significant strides in reducing the arrear debt owed to the Department and settled all invoices raised for the 2022/23 financial year in full. The municipality is working towards being up to date for the current year because the July and November 2023 invoices are unpaid. The municipality managed to settle the January 2024 current account of R13,333 million in full on 1 March 2024, as per the due date. The municipality had insufficient cash to settle the debt instalment on or before 5 March 2024.

The municipality's Debt Relief application to National Treasury was approved, effective 1 October 2023. The municipality had an engagement with ESKOM on 29 November 2023, to settle the debt accrued after March 2023, amounting to R163 million. A repayment proposal was submitted to ESKOM for approval. It is imperative that the municipality abides with the conditions as non-compliance may have serious repercussions for the municipality and its electricity business. As per MFMA Circular 124, Section 5, articulated below are the consequence for failure to comply with the conditions of the Municipal Debt Relief and related initiatives:

"Municipalities are urged to maintain their behavioral change post the support. If a municipality fails to perform during the duration of the Municipal Debt Relief:

- a. The benefits of the Relief to that municipality will immediately cease;
- b. This means that Eskom will be obliged to implement its credit control and debt management policy on the defaulting municipality and the municipality must

- immediately start repaying its Eskom arrears, interest and penalties;
- c. Eskom may resume any legal proceedings (relating to the municipality's arrear debt, interest and penalties as of 31 March 2023), including attaching the municipal bank account; and
- d. The normal penalties applicable to the wider local government will also apply.

It is important to note that the work to resolve non-payment by municipalities is progressive and that the National Treasury intends to enforce the existing penalties available in the legislative framework and add additional penalties, including exploring but not limited to –

- A take-over of a defaulting municipality's electricity business;
- NERSA strengthening of license conditions;
- A National Treasury dispute resolution process;
- Strengthening and adding consequences and related consequence management processes as part of the ongoing review of the MFMA, including to facilitate the upfront resolve of budget issues and to instil a payment culture; and
- A wider special mechanism/ ombud system to facilitate organs of state payment and related disputes, including instituting consequences for organs of state failure to pay; etc.

In terms of the National Treasury's local government revenue improvement programme, all municipalities that benefit from the Municipal Debt Relief will continue to receive support towards strengthening their revenue value chains. Municipalities are cautioned that the National Treasury considers the conditions set out in paragraph 6.1 to 6.14 as critical financial management minimum best practice and confirms that if a municipality fails to meet any and/ or a combination of the conditions set out in this Municipal Debt Relief framework, it could (over-and-above the consequences set out in 5.1 above) constitute a serious breach of its financial management fiduciary responsibilities and may also constitute financial misconduct as envisaged in the MFMA and Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014. The National Treasury reserves the right to immediately invoke section 216 of the Constitution and/ or any other remedies available to government in terms of the prevailing legislative framework in such a situation (including instituting individual financial misconduct and/ or criminal proceedings).

Municipalities are reminded of MFMA s.173 to the effect that the accounting officer of a municipality is guilty of an offence if that accounting officer, deliberately or in a gross negligent way contravenes or fails to comply with MFMA s. 65(2)(f). Moreover, MFMA s.174 provides for penalties, to the extent where a person is liable on conviction of an offence in terms of section 173 to imprisonment for a period not exceeding five years or to an appropriate fine determined in terms of applicable legislation."

Currently, the total debtor's book is standing at R3,731,931 billion, of which 90% of the debt is owed in excess of 90 days. Of the total debt, R753 million is owed by government, R638 million by business and R2.2 billion by households. The municipality is urging government, businesses and households to meet their obligation to the municipality or make payment arrangements with the municipality. The cash collection is not at a desired level, and this does not bode well for the municipality's financial position. *There needs to be a major paradigm shift in the payment culture across all customer groups. This can only be achieved when the Credit Control and Debt Collection Policy is strictly, consistently and fairly applied to all customer groups.* Consumers that are not paying for services, must remember that no municipality will remain sustainable and functional if it expected to provide "services for free". And in the same breath, the municipality must employ all measures to ensure that customers receive quality and reliable services. The value of providing these services, should never be underestimated by the municipality as there is a direct correlation between providing quality services and consumers' willingness to pay.

Tough decisions have to be taken to have a meaningful impact and produce positive results. This action is long overdue, especially in light of the municipality's financial crisis and major threat to its financial viability and sustainability. The municipality implemented our Revenue Collection Action Plan ("**RCA Plan**") and the Back-to-Basics initiative, prioritizing the collection of overdue Municipal debt from all our Customer Groups that are in arrears and are able to pay their accounts, but are unwilling to make payment or make a payment arrangement. The Plan further provided for a Credit Control, Indigent Assistance Awareness and Account Payment Campaign. We believed that this campaign would be informative and create an awareness to customers as to the assistance provided by the Municipality in relation to the payment of accounts and the social package offered to indigents (including child headed households). The Municipality will offer its customers payment discounts for accounts settled before the due date and discount incentives to all customers that settle their outstanding accounts in full. The campaign also aimed at educating consumers on the importance of the payment of accounts and the detrimental effect non-payment has on service delivery. The Revenue team also embarked on a Back-to-Basics approach across the full revenue cycle/chain in order to improve on billing, collections and customer care. The municipality also introduced a Special Debt Relief Programme, with special incentives for all customers who want to settle their debt.

In order for the municipality to thrive, overall performance must improve, the quality of services rendered must improve, accountability must be enforced which must be complimented by strict consequence management. Serious consideration should be given to the service delivery and financial implications of all decisions taken. Ensure that acts, regulations and policies are adhered to diligently, consistently and fairly. Enhance revenue collection and ensure that operational and capital funds are spent effectively with good value for money. Improving on preventative maintenance and spending funds cost-effectively and efficiently to address service delivery challenges can no longer be delayed, we have noted an increase in emergency maintenance which seems excessive as no competitive bidding is taking as a result of the impact of asset failure on service delivery. We are striving to ensure assets are maintained at desired levels and are being utilised optimally. The spending of funds will have to be prioritised, wastage be curbed, and overall personnel performance and productivity be monitored and improved. Municipal officials should also take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure. Refrain from committing acts of financial misconduct and/or criminal offences as per Chapter 15 of the MFMA.

It is imperative that all municipal officials must have the inherent desire to do their job to the best of their ability, take pride and ownership in their work, take accountability for their job functions, doing the right thing consistently and work as a collective, cohesive team to achieve the municipality's strategic objectives. Foremost to all of these, have the community's best interest at heart.

2. Background

Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 and the Municipal Budget and Reporting Regulations" necessitates those specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance. "The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required Tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act." Further, Section 71 of the MFMA requires that, "the accounting officer of a municipality must by no later than **10 working days** after the end of each month submit to the Mayor of the municipality, and the relevant national and provincial treasury, a statement in the prescribed format on the state of the municipality's budget reflecting certain particulars for that month and for the financial year up to the end of that month." For the reporting period ending **29 February 2024**, the ten working day reporting limit expires on **14 March 2024**. The National Treasury will use only the *mSCOA* data strings required for submission as prescribed and all publications will use the data collected from the *mSCOA* data strings" which must be submitted before or on **14 March 2024**, (ten working day limit).

3. Executive summary

The Statement of Financial Performance shown in Annexure A, Table C4, is prepared on the prescribed monthly C-schedules, detailing Revenue by source and Expenditure by type. The consolidated summary of the financial performance is indicated in Table 1 and Table 2 below:

Summary Statement of Financial Performance: YTD Budget					
Description R thousand	YTD Budget February 2024	YTD Actual February 2024	Variance Favourable (Unfavourable)	% YTD Actual vs YTD Budget	% Variance Favourable (Unfavourable)
Total Revenue (excluding capital transfers and contributions)	1,828,881	1,858,948	30,067	101.6%	1.6%
Total Revenue (including capital transfers and contributions)	1,972,035	1,911,831	(60,205)	96.9%	-3.1%
Total Operational Expenditure	1,812,531	1,746,735	(65,795)	96.4%	-3.6%

Table 1: Consolidated summary: Statement of Financial Performance: YTD Budget

As indicated in Table 1 above, as at 29 February 2024, the billed revenue excluding capital grants amounted to R1,858,948 billion which resulted in a satisfactory variance of 1.6% when compared to the YTD Budget of R1,828,881 billion. The billed revenue including capital grants amounted to R1,911,831 billion, resulting in a satisfactory variance of minus 3.1% when compared to the YTD budget of R1,972,035 billion. Capital grants are recognised in the Statement of Financial Performance, monthly as soon as the conditions of the grant have been met. Reasons for the variances are articulated in Section 4.1 below. The Total Operational Expenditure amounted to R1,746,735 billion versus the YTD Budget of R1,812,531 billion, resulting in a satisfactory variance of minus 3.6%. Reasons for the variance are articulated in Section 4.2 below.

Summary Statement of Financial Performance: Adjusted Budget					
Description R thousand	Adjusted Budget	YTD Actual February 2024	Variance Favourable (Unfavourable)	% YTD Actual vs Adjusted Budget	% Variance Favourable (Unfavourable) Ideal IYM % - 66.67%
Total Revenue (excluding capital transfers and contributions)	2,798,666	1,858,948	1,625,726	66.4%	-0.2%
Total Revenue (including capital transfers and contributions)	3,014,560	1,911,831	1,660,618	63.4%	-3.2%
Total Operational Expenditure	2,782,911	1,746,735	1,514,826	62.8%	-3.9%

Table 2: Consolidated summary: Statement of Financial Performance: Adjusted Budget

Indicated in Table 2 above is the YTD actual compared to the Adjusted Budget. When calculating the ideal In-Year-Monitoring percentage of 66.67% [calculated as follow: (100/12 months x 8 months of the year)] as at the end of February 2024, the Total operational revenue excluding capital grants versus the Adjusted Budget resulted in a satisfactory variance of minus 0.2%. The Total operational revenue including capital grants versus the Adjusted Budget resulted in a satisfactory variance of minus 3.2%. The Total Operational Expenditure resulted in a satisfactory variance of minus 3.9%.

Please note that certain Revenue by source and Expenditure by type categories are showing excessive negative and/or positive variances. This is due to fact that the YTD budgets were all systematically determined on a straight-line basis by dividing the total budget per category per line item by 12. **For the Adjusted budgets, these were all divided by the remaining 5 months of the year. This is distorting some of the variances.** The capital projections were also done in the same fashion. Please note that variances within a 5 to 10 percent range, as prescribed by National Treasury are acceptable and need not necessarily be explained.

4. Budget performance overview

4.1 Operating Revenue by Source

Description	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	Achieved YTD Budget	YTD variance	YTD variance	Achieved Adjusted Budget	Adjusted Budget Variance	Adjusted Budget Variance IYM % -
	R'000	R'000	R'000	R'000	%	R'000	%	%	R'000	%
Revenue										
Exchange Revenue										
Service charges - Electricity	995,202	51,455	571,230	681,980	83.8%	(110,751)	-16.2%	57.4%	(92,238)	-9.3%
Service charges - Water	300,114	22,106	193,713	212,676	91.1%	(18,963)	-8.9%	64.5%	(6,363)	-2.1%
Service charges - Waste Water Managem	89,858	8,086	64,242	59,906	107.2%	4,336	7.2%	71.5%	4,336	4.8%
Service charges - Waste management	65,412	6,541	51,233	43,608	117.5%	7,625	17.5%	78.3%	7,625	11.7%
Sale of Goods and Rendering of Services	17,379	1,304	13,178	10,746	122.6%	2,432	22.6%	75.8%	1,591	9.2%
Agency services	-	-	-	-		-			-	
Interest	-	-	-	-		-			-	
Interest earned from Receivables	250,400	21,768	169,103	128,891	131.2%	40,212	31.2%	67.5%	2,169	0.9%
Interest from Current and Non Current Ass	9,500	1,717	7,841	5,167	151.8%	2,675	51.8%	82.5%	1,508	15.9%
Dividends	-	-	-	-		-			-	
Rent on Land	-	-	-	-		-			-	
Rental from Fixed Assets	28,130	2,373	18,847	18,193	103.6%	653	3.6%	67.0%	93	0.3%
Licence and permits	1,200	50	464	800	58.0%	(336)	-42.0%	38.7%	(336)	-28.0%
Operational Revenue	3,134	830	3,260	2,089	156.0%	1,171	56.0%	104.0%	1,171	37.3%
Non-Exchange Revenue										
Property rates	660,893	45,060	500,804	440,596	113.7%	60,208	13.7%	75.8%	60,208	9.1%
Surcharges and Taxes	-	-	-	-		-			-	
Fines, penalties and forfeits	37,910	11,642	27,337	21,890	124.9%	5,447	24.9%	72.1%	2,063	5.4%
Licence and permits	6,150	101	5,122	4,100	124.9%	1,022	24.9%	83.3%	1,022	16.6%
Transfers and subsidies - Operational	287,603	4,834	200,282	189,084	105.9%	11,199	5.9%	69.6%	8,547	3.0%
Interest	-	-	-	-		-			-	
Fuel Levy	-	-	-	-		-			-	
Operational Revenue	44,680	4,438	31,222	8,936	349.4%	22,286	249.4%	69.9%	1,435	3.2%
Gains on disposal of Assets	1,100	-	1,059	220	481.6%	839	381.6%	96.3%	326	29.6%
Other Gains	-	-	11	-		11			11	
Discontinued Operations	-	-	-	-		-			-	
Total Revenue (excluding capital transfers and contributions)	2,798,666	182,306	1,858,948	1,828,881	101.6%	30,067	1.6%	66.4%	(6,829)	-0.2%
Transfers and subsidies - capital	215,894	15,685	52,883	143,154	36.9%	(90,271)	-63.1%	24.5%	(91,046)	-42.2%
Total Revenue (including capital transfers and contributions)	3,014,560	197,990	1,911,831	1,972,035	96.9%	(60,205)	-3.1%	63.4%	(97,876)	-3.2%

Table 3: Table C4 Financial Performance (Revenue)

Comparison against the YTD Budget

Exchange Revenue

- ❖ Service charges - Electricity is showing an unsatisfactory variance of minus 16.2%. Service charges Water is showing an under-recovery of minus 8.9%. The downward adjustment during the Adjustment budget is only factored in for remaining 5 months of the year, resulting in a slightly distorted variance. It is imperative that the Billing section does a proper investigation to ensure that all properties have functional meters installed and are billed accurately. The same applies to all Service charges., Sanitation and Refuse is showing an over-recovery when compared to the YTD budget.
- ❖ Sale of Goods and Rendering of Services is overstated by 22.6%, as a result of advance receipts on the approval of buildings plan to the tune of R2,833 million. Cemetery and burial fees is also performing well at 82.74% achievement versus the budget, whilst Entrance fees for example Sport grounds and stadiums, community halls and swimming pools are also showing positive results with an overall percentage of 104%. Income from the Market is also at 102% against the budget.

- ❖ Interest earned from Receivables is showing a positive variance of 31.2% due to the increase in specifically debt over 90 days, high level of debt over 90 days and the higher interest rate. This was adjusted upwards, but the same applies in respect of the phase in over the last 5 months of the year.
- ❖ Interest from Current and Non-current Assets shows a positive variance of 51.8%. The municipality is improving on its cash and investment management and regularly to invest as much as possible of funds not immediately needed for operations. The municipality is also investing capital grants already received. The bulk of the interest earned will be recognised as part of the year-end procedures.
- ❖ Licences and permits is showing a negative variance of 42%, as a result of the receipts on Road & Trsp: Operator & Pub Driv Permits being lower than anticipated.
- ❖ Operational Revenue is showing a positive variance of 56%, as a result of an over-recovery on Incidental Cash Surpluses and Commission: Transaction Handling Fees.

Non-Exchange Revenue

- ❖ Property Rates is showing a positive YTD variance of 13.7%, due to the annual billing on Property rates.
- ❖ Fines, penalties and forfeits is showing a satisfactory variance of 24.9%, as a result on an over-recovery on Penalties: Disconnection Fees.
- ❖ Transfers and subsidies - Operational is showing a satisfactory variance of 5.9%. The percentage is still slightly higher due to the receipt of the second tranche of the Equitable Share.
- ❖ Operational Revenue is showing a positive variance of 249%. The budget was corrected during the Adjustment budget, however this is only projected for the remaining 5 months of the year, thus resulting in the distorted percentage.
- ❖ Gains on disposal of assets, predominantly pertains to the sale of land. The budget was corrected during the Adjustment budget however, this is only projected for the remaining 5 months of the year, thus resulting in the distorted percentage. Other Gains must be investigated.
- ❖ Transfers and subsidies - Capital is showing a negative variance of minus 63.1% when compared to the YTD budget. Capital grants remains lower than anticipated due to poor capital grant expenditure. Serious intervention will have to be taken by management to improve on monthly capital grant expenditure and capital expenditure overall. Capital grants are recognised in the Statement of Financial Performance, on a monthly basis as soon as the conditions of the grant have been met.

Comparison against Adjusted Budget

Based on the IYM percentage of 66.67%, the majority of revenue sources are performing satisfactorily.

Exchange Revenue

- ❖ Service charges against the Adjusted budget is generally showing satisfactory performance, with Service charges Waste water management and Waste management is showing an over-recovery.
- ❖ Sale of Goods and Rendering of Services is showing a positive variance of 9.2%. Same factors are applicable as described in the paragraph above.
- ❖ Interest earned from Receivables is showing a positive variance of 0.9%.
- ❖ Interest from Current and Non-current Assets shows a positive variance of 15.9%. Same factors are applicable as described in the paragraph above.
- ❖ Licences and permits is showing an unsatisfactory variance of minus 28%. Same factors are applicable as described in the paragraph above.
- ❖ Operational Revenue is showing a satisfactory variance of 37.3%. Same factors are applicable as described in the paragraph above.

Non-Exchange Revenue

- ❖ Property Rates is showing a positive variance of 9.3%, due to the annual billing on Property rates.
- ❖ Fines, penalties and forfeits is showing a satisfactory variance of 5.4%. Same factors are applicable as described in the paragraph above.
- ❖ Transfers and subsidies - Operational is showing a positive variance of 3% as a result the receipt of the second tranche of the Equitable Share.
- ❖ Operational Revenue is showing a positive variance of 3.2%. Same factors are applicable as described in the paragraph above.
- ❖ Gains on disposal of assets, predominantly pertains to the sale of land, whilst Other Gains will be investigated.
- ❖ Transfers and subsidies - Capital is showing a negative variance of minus 42.2%. Capital grants remains lower than anticipated due to poor capital grant expenditure. Serious intervention will have to be taken by Management to improve on monthly capital grant expenditure and capital expenditure overall. Capital grants are recognised in the Statement of Financial Performance, on a monthly basis as soon as the conditions of the grant have been met.

Indicated in Chart 1 below is the weighting of the YTD Actual on billed Revenue per Source as a percentage of total operational revenue as at 29 February 2024. The main contributors of the municipality's revenue are Service Charges (47.4%), Property Rates (26.9%) and Transfers and subsidies (10.8%). The contribution per Revenue source is still slightly distorted, as a result of the annual billing of Property rates and the receipt of the second tranche of the Equitable Share.

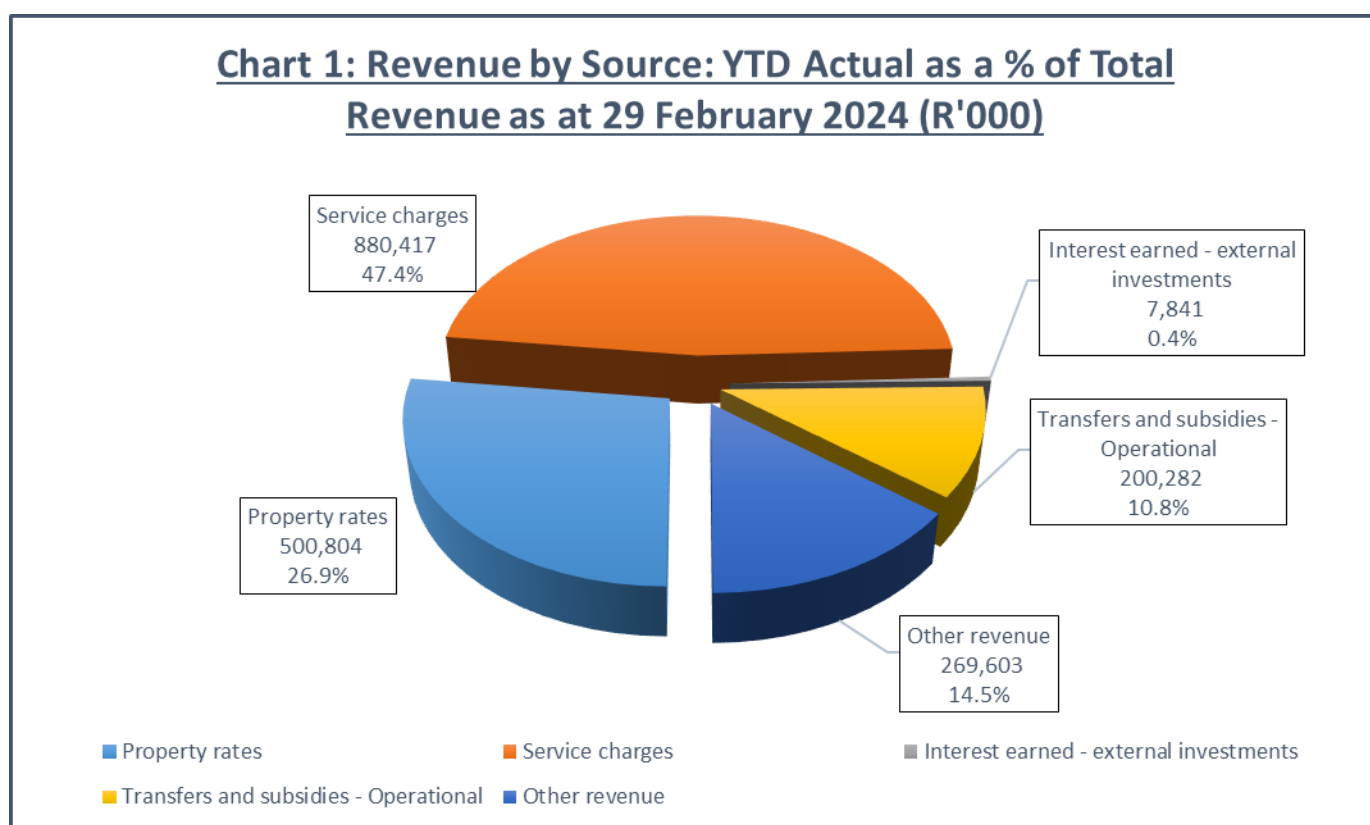


Chart 1: Revenue by Source: YTD Actual as a percentage of Total Revenue

4.2 Operating Expenditure by Type

Description	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	% Achieved YTD Budget	YTD variance	YTD variance	Achieved Adjusted Budget	Adjusted Budget Variance	Adjusted Budget Variance IYM % - 66.67%
	R'000	R'000	R'000	R'000	%	R'000	%	%	R'000	%
Expenditure By Type										
Employee related costs	910,366	70,105	581,815	593,507	98.0%	(11,691)	-2.0%	63.9%	(25,095)	-2.8%
Remuneration of councillors	35,559	2,768	23,687	23,706	99.9%	(19)	-0.1%	66.6%	(19)	-0.1%
Bulk purchases - electricity	790,100	52,507	529,618	524,353	101.0%	5,265	1.0%	67.0%	2,885	0.4%
Inventory consumed	336,955	21,404	187,812	210,170	89.4%	(22,357)	-10.6%	55.7%	(36,825)	-10.9%
Debt impairment	317,500	79,375	238,125	211,667	112.5%	26,458	12.5%	75.0%	26,458	8.3%
Depreciation and amortisation	86,650	-	-	57,767	0.0%	(57,767)	-100.0%	0.0%	(57,767)	-66.7%
Interest	20,055	(5)	10,007	13,108	76.3%	(3,102)	-23.7%	49.9%	(3,363)	-16.8%
Contracted services	56,913	4,545	31,527	33,835	93.2%	(2,309)	-6.8%	55.4%	(6,415)	-11.3%
Transfers and subsidies	3,560	-	2,422	2,840	85.3%	(418)	-14.7%	68.0%	49	1.4%
Irrecoverable debts written off	-	0	1	-		1			1	
Operational costs	159,253	9,022	113,836	99,818	114.0%	14,018	14.0%	71.5%	7,667	4.8%
Losses on Disposal of Assets	-	-	-	-		-			-	
Other Losses	66,000	-	27,885	41,760	66.8%	(13,876)	-33.2%	42.2%	(16,115)	-24.4%
Total Expenditure	2,782,911	239,721	1,746,735	1,812,531	96.4%	(65,795)	-3.6%	62.8%	(108,539)	-3.9%

Table 4: Table C4 Financial Performance (Expenditure)

Comparison against YTD Budget

As indicated in the Table 4 above, as at 29 February 2024 current YTD expenditure shows a satisfactory variance of minus 3.6%. The YTD actual amounted to R1,746,735 billion against the YTD Budget of R1,812,531 billion.

- ❖ Employee related costs shows a satisfactory variance of minus 2.0%. Post-retirement benefit obligations are not factored in and will only be finalised as part of year-end procedures.
- ❖ Remuneration of councillors is showing a satisfactory variance of 0.1%.
- ❖ Bulk purchases – Electricity is showing a satisfactory variance of 1.0%. It should be noted that currently Interest on overdue accounts is included in this line item. The actual will be corrected, however the municipality did not budget for Interest on overdue accounts for bulk electricity due to municipal debt relief. An amount of R43 million has been reversed for the current year.
- ❖ The expenditure on Inventory consumed is showing an unsatisfactory variance of minus 10.6%. Expenditure for the first month of the year is normally low, due later re-opening of the financial year after year-end closure. Various commitments are raised on the system, awaiting delivery of goods and services. It has been reiterated monthly that expenditure on Inventory consumed needs to be monitored closely and remedial action be taken to ensure that funds are spent effectively with good value for money and that funds will be fully spent at year-end. The major backlog and deterioration of infrastructure and high-level of crisis management is negatively influencing this expenditure line items and sound financial management of budgets is not adequately exercised. Deviations and re-directing of funds to manage crises is severely and rapidly depleting the R&M budget, impeding on the funds required for day-to-day maintenance. Lack of maintenance plans and planned maintenance is impeding on the municipality's ability to maintain assets optimally. There are limited resources available with severe budgetary constraints with the current cash flow position putting major strain on the municipality's finances to actually address service delivery challenges. The municipality is obligated to ensure that tariffs are cost-reflective whilst ensuring that tariff increases are inflationary related as prescribed by NT's annual MFMA Budget circulars. This is a major impediment for the municipality to increase the R&M budget to a desired level to actually address backlogs, whilst employee costs, provision for bad debts and other expenditure is putting further strain on the budgets each year.

R&M Expenditure per Directorate per Inventory type as at 29 February 2024 (Amounts in Rand)	Sum of Original Budget	Sum of Adjustment Budget	Sum of Monthly Actual	Sum of YTD Actual	Sum of % Spent Original	Sum of % Spent Adj budget	% Spent compared against ideal IYM % of 66.67%
VOTE 1 - COUNCILLORS AND ADMIN	286,000	286,000	19,293	103,252	36.10%	36.10%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	118,000	124,000	10,629	49,623	42.05%	40.02%	UNSATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	2,000	2,000	-	-	0.00%	0.00%	UNSATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	166,000	160,000	8,664	53,628	32.31%	33.52%	UNSATISFACTORY
VOTE 2 - MUNICIPAL AND GENERAL	30,576,000	24,092,000	2,645,567	22,525,563	73.67%	93.50%	OVERSPENT
2320601 (INV-CONSUMABLE-SR/STATIONERY)	670,000	670,000	46,512	218,210	32.57%	32.57%	UNSATISFACTORY
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	250,000	244,000	22,729	151,189	60.48%	61.96%	SATISFACTORY
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	-	6,000	-	5,102	#DIV/0!	85.03%	OVERSPENT
2323600 (INVENTORY - MATERIALS & SUPPLIES)	29,656,000	23,172,000	2,576,327	22,151,063	74.69%	95.59%	OVERSPENT
VOTE 3 - MUNICIPAL MANAGER	138,000	138,000	-	83,341	60.39%	60.39%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	120,000	122,000	-	71,670	59.73%	58.75%	UNSATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	18,000	16,000	-	11,671	64.84%	72.94%	OVERSPENT
VOTE 4 - CORPORATE SERVICES	10,645,730	2,645,730	149,069	1,439,558	13.52%	54.41%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	867,000	871,000	45,500	568,307	65.55%	65.25%	SATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	260,000	242,000	24,707	203,477	78.26%	84.08%	OVERSPENT
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	340,730	445,230	39,104	432,834	127.03%	97.22%	OVERSPENT
2323600 (INVENTORY - MATERIALS & SUPPLIES)	9,178,000	1,087,500	39,758	234,939	2.56%	21.60%	UNSATISFACTORY
VOTE 5 - COMMUNITY SERVICES	34,528,500	44,290,115	2,615,970	17,251,442	49.96%	38.95%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	1,008,500	1,119,800	124,551	600,958	59.59%	53.67%	UNSATISFACTORY
2320602 (INV-CONSUMABLE-SR/FIRST AID)	58,000	58,000	-	1,555	2.68%	2.68%	UNSATISFACTORY
2320603 (INV-CONSUMABLE-SR/PUR CHEMICALS)	195,000	225,000	2,795	158,852	81.46%	70.60%	SATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	965,000	1,027,000	103,048	634,547	65.76%	61.79%	SATISFACTORY
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	7,457,000	8,435,000	510,839	5,344,264	71.67%	63.36%	SATISFACTORY
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	953,000	318,000	6,206	181,527	19.05%	57.08%	UNSATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	23,892,000	33,107,315	1,868,530	10,329,739	43.24%	31.20%	UNSATISFACTORY
VOTE 6 - FINANCIAL SERVICES	2,399,000	2,354,000	250,728	1,300,772	54.22%	55.26%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	1,270,000	1,240,000	169,019	812,703	63.99%	65.54%	SATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	159,000	164,000	17,179	108,279	68.10%	66.02%	SATISFACTORY
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	172,000	172,000	12,793	97,687	56.79%	56.79%	UNSATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	798,000	778,000	51,737	282,103	35.35%	36.26%	UNSATISFACTORY
VOTE 7 - STRATEGY & ECONOMIC DEVELOPMENT	6,430,000	8,930,000	627,969	3,894,445	60.57%	43.61%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	464,000	512,000	41,610	138,295	29.80%	27.01%	UNSATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	61,000	64,000	890	30,515	50.02%	47.68%	UNSATISFACTORY
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	362,000	297,000	30,850	219,740	60.70%	73.99%	OVERSPENT
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	6,000	75,000	654	6,488	108.14%	8.65%	UNSATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	5,537,000	7,982,000	553,966	3,499,407	63.20%	43.84%	UNSATISFACTORY
VOTE 8 - INFRASTRUCTURE SERVICES	220,896,654	254,219,654	15,095,025	141,213,908	63.93%	55.55%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	677,000	692,000	71,480	354,487	52.36%	51.23%	UNSATISFACTORY
2320602 (INV-CONSUMABLE-SR/FIRST AID)	2,000	2,000	-	-	0.00%	0.00%	UNSATISFACTORY
2320603 (INV-CONSUMABLE-SR/PUR CHEMICALS)	13,660,000	26,650,000	1,836,202	11,310,928	82.80%	42.44%	UNSATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	721,000	757,000	73,089	686,217	95.18%	90.65%	OVERSPENT
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	6,650,000	9,078,000	820,005	6,257,171	94.09%	68.93%	SATISFACTORY
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	360,000	558,000	55,231	368,263	102.30%	66.00%	SATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	137,626,654	152,082,654	6,598,487	66,957,384	48.65%	44.03%	UNSATISFACTORY
2326600 (INVENTORY - WATER)	61,200,000	64,400,000	5,640,531	55,279,458	90.33%	85.84%	OVERSPENT
Grand Total	305,899,884	336,955,499	21,403,621	187,812,282	61.40%	55.74%	UNSATISFACTORY

Table 4.1 R&M Expenditure per Directorate per inventory type

R&M Expenditure per Service per Inventory Type as at 29 February 2024 (Amounts in Rand)	Sum of Original Budget	Sum of Adjustment Budget	Sum of Monthly Actual	Sum of YTD Actual	Sum of % Spent Original Budget	Sum of % Spent Adj Budget	% Spent compared against ideal IYM % of 66.67%
2480 - REFUSE	20,731,000	19,751,000	1,396,278	9,552,227	46.08%	48.36%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	71,000	71,000	7,650	43,815	61.71%	61.71%	SATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	210,000	210,000	-	13,640	6.50%	6.50%	UNSATISFACTORY
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	5,000,000	5,750,000	410,338	3,875,319	77.51%	67.40%	SATISFACTORY
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	750,000	-	-	-	0.00%	#DIV/0!	#DIV/0!
2323600 (INVENTORY - MATERIALS & SUPPLIES)	14,700,000	13,720,000	978,289	5,619,453	38.23%	40.96%	UNSATISFACTORY
2830 - ROADS	46,038,000	42,438,000	3,674,867	23,763,065	51.62%	55.99%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	50,000	60,000	19,337	53,223	106.45%	88.71%	OVERSPENT
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	54,000	44,000	40,753	59,677	110.51%	135.63%	OVERSPENT
2323600 (INVENTORY - MATERIALS & SUPPLIES)	45,934,000	42,334,000	3,614,776	23,650,164	51.49%	55.87%	UNSATISFACTORY
2840 - HOUSING	3,497,000	3,497,000	245,060	1,654,345	47.31%	47.31%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	98,000	128,000	16,345	99,651	101.68%	77.85%	OVERSPENT
2320602 (INV-CONSUMABLE-SR/FIRST AID)	1,000	1,000	-	-	0.00%	0.00%	UNSATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	125,000	125,000	-	123,719	98.98%	98.98%	OVERSPENT
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	150,000	150,000	7,231	55,927	37.28%	37.28%	UNSATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	3,123,000	3,093,000	221,484	1,375,048	44.03%	44.46%	UNSATISFACTORY
2850 - SEWERAGE	20,739,000	30,039,000	1,133,728	11,775,917	56.78%	39.20%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	45,000	45,000	1,842	14,842	32.98%	32.98%	UNSATISFACTORY
2320603 (INV-CONSUMABLE-SR/PUR CHEMICALS)	150,000	140,000	19,145	92,969	61.98%	66.41%	SATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	239,000	258,000	7,475	243,885	102.04%	94.53%	OVERSPENT
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	1,700,000	2,680,000	227,993	1,834,474	107.91%	68.45%	SATISFACTORY
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	100,000	70,000	-	59,330	59.33%	84.76%	OVERSPENT
2323600 (INVENTORY - MATERIALS & SUPPLIES)	18,505,000	26,846,000	877,273	9,530,419	51.50%	35.50%	UNSATISFACTORY
2860 - WATER	105,314,000	130,737,000	9,408,361	88,075,091	83.63%	67.37%	SATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	95,000	80,000	4,073	43,775	46.08%	54.72%	UNSATISFACTORY
2320603 (INV-CONSUMABLE-SR/PUR CHEMICALS)	13,510,000	26,510,000	1,817,058	11,217,960	83.03%	42.32%	UNSATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	105,000	122,000	6,080	103,973	99.02%	85.22%	OVERSPENT
2320611 (INV-CONSUMABLE-ZR/FUEL FLEET)	1,600,000	2,248,000	183,407	1,503,204	93.95%	66.87%	SATISFACTORY
2320612 (INV-CONSUMABLE-ZR/FUEL NON FLEET)	260,000	488,000	55,231	308,933	118.82%	63.31%	SATISFACTORY
2323600 (INVENTORY - MATERIALS & SUPPLIES)	28,544,000	36,889,000	1,701,981	19,617,787	68.73%	53.18%	UNSATISFACTORY
2326600 (INVENTORY - WATER)	61,200,000	64,400,000	5,640,531	55,279,458	90.33%	85.84%	OVERSPENT
2880 - ELECTRICITY	49,461,000	50,961,000	1,996,577	17,252,683	34.88%	33.85%	UNSATISFACTORY
2320601 (INV-CONSUMABLE-SR/STATIONERY)	194,000	184,000	1,795	64,131	33.06%	34.85%	UNSATISFACTORY
2320602 (INV-CONSUMABLE-SR/FIRST AID)	1,000	1,000	-	-	0.00%	0.00%	UNSATISFACTORY
2320604 (INV-CONSUMABLE-SR/CLEAN MATERIALS)	71,000	81,000	2,867	72,544	102.18%	89.56%	OVERSPENT
2323600 (INVENTORY - MATERIALS & SUPPLIES)	49,195,000	50,695,000	1,991,915	17,116,007	34.79%	33.76%	UNSATISFACTORY
Grand Total	245,780,000	277,423,000	17,854,870	152,073,327	61.87%	54.82%	UNSATISFACTORY

Table 4.2 R&M Expenditure per Service per inventory type

- ❖ Debt impairment will be provided for on a quarterly basis and the journal for the third quarter was processed during February 2024.
- ❖ Depreciation was projected for on a straight-line basis but is only be provided for, as part of year-end procedures. The municipality is currently engaging our service provider to make use of the available Asset module on the financial system. A demonstration is being scheduled by our service provider. This is something that will be resolved as soon as possible based on the strict recommendation from National Treasury during the 2023/24 Mid-year Engagement.
- ❖ Interest is showing an unsatisfactory variance of minus 23.7%, due to the Interest on External borrowing being paid bi-annually and the first instalment for the current financial year was paid during December 2023. The next instalment is due at end of June 2024. The interest on overdue accounts for the ESKOM bulk account is being captured on the system under Bulk purchases electricity, as there is no provision for Interest on overdue accounts. This is attributable to the fact that the municipality could not factor this cost into the electricity tariffs and expect the community to fund this and secondly, the municipality intended to apply for the municipal debt relief. Interest on overdue accounts for ESKOM was not factored into the Adjustment budget, due to the municipal debt relief. A corrective journals will be processed. Minor interest charges on overdue accounts was handled through a budget virement on the system, until it was corrected during the Adjustment budget. A formal communique must be distributed to warn users on the late submission of payments which is incurring unnecessary charges and which they may be held liable for in future. All Interest paid on overdue accounts must be recognized as Fruitless and Wasteful expenditure in the Annual Financial Statements.
- ❖ Expenditure on Contracted services is showing a satisfactory variance of minus 6.8%.
- ❖ Transfers and subsidies showing negative variance of minus 14.7%, due to Other grants showing minimal movement due to cash flow constraints.
- ❖ Operational cost is showing an unsatisfactory variance of 14% as a result of the following line items under Operational Cost (OC)
 - The municipality is offering a 10% discount on the early settlement of a consumer's municipal bill. This discount is reflected as an expense under OC: Cash Discount of

R26,665 million with a zero budget, but these costs will be transferred and debited against Revenue at year-end because it is considered Revenue foregone. The prorata split is done manually between Property rates and service charges, excluding Electricity Revenue because the system cannot handle the automated split per Revenue source. This will be discussed again with our service provider.

- Costs incurred of R4,606 million on OC: Ext Com Serv Prov - S/Ware Licences, for predominantly annual software license fees.
 - Cost incurred of R9,483 million on OC: Professional Bodies M/Ship & Subs, for predominantly annual SALGA membership fees.
 - OC: Audit Cost: External incurred of R7,520 million.
- ❖ Other Losses is showing a variance of minus 33.2%. Bulk purchases Water is treated in line with GRAP 12. The invoices are captured on the balance sheet under Water: Input Vol: Bulk Purchases and then journalized to the Income Statement and is simultaneously split between Water Inventory and Water losses. The corrective journal to recognise Water inventory and losses portion for the actuals of January 2024 and February 2024 must still be processed on the system.

Operating Expenditure by Type: Comparison against Adjusted Budget

Indicated in Table 4 above, is the YTD actual compared to the Adjusted Budget. The ideal In-Year-Monitoring percentage as at the end of February 2024 is 66.67%. The total operational expenditure against the Adjusted budget is 62.8% spent, resulting in a satisfactory variance of minus 3.6%.

- ❖ Employee related costs shows a satisfactory variance of minus 2.8%. Same factors are applicable as explained above.
- ❖ Remuneration of councillors is showing a satisfactory variance of 0.1%. Same factors are applicable as explained above.
- ❖ Bulk purchases – Electricity is showing a satisfactory variance of 0.4%. Same factors are applicable as explained above.
- ❖ The expenditure on Inventory consumed is showing a satisfactory variance of minus 10.9%. Same factors are applicable as explained above.
- ❖ Debt impairment is showing a satisfactory variance of 8.3%. Debt impairment will be provided for on a quarterly basis and the journal for the third quarter was processed during February 2024.
- ❖ Depreciation was projected for on a straight-line basis but will only be provided for, as part of year-end procedures. Same factors are applicable as explained above.
- ❖ Interest is showing an unsatisfactory variance of minus 16.8%. Same factors are applicable as explained above.
- ❖ Expenditure on Contracted services is satisfactory at minus 11.3%, when compared to the Adjusted budget.
- ❖ Transfers and subsidies show a satisfactory variance of minus 1.4%. Same factors are applicable as explained above.
- ❖ Operational cost is showing a satisfactory variance of 4.8%. Same factors are applicable as explained above.
- ❖ Other Losses is showing an unsatisfactory variance of minus 24.4%. Same factors are applicable as explained above.

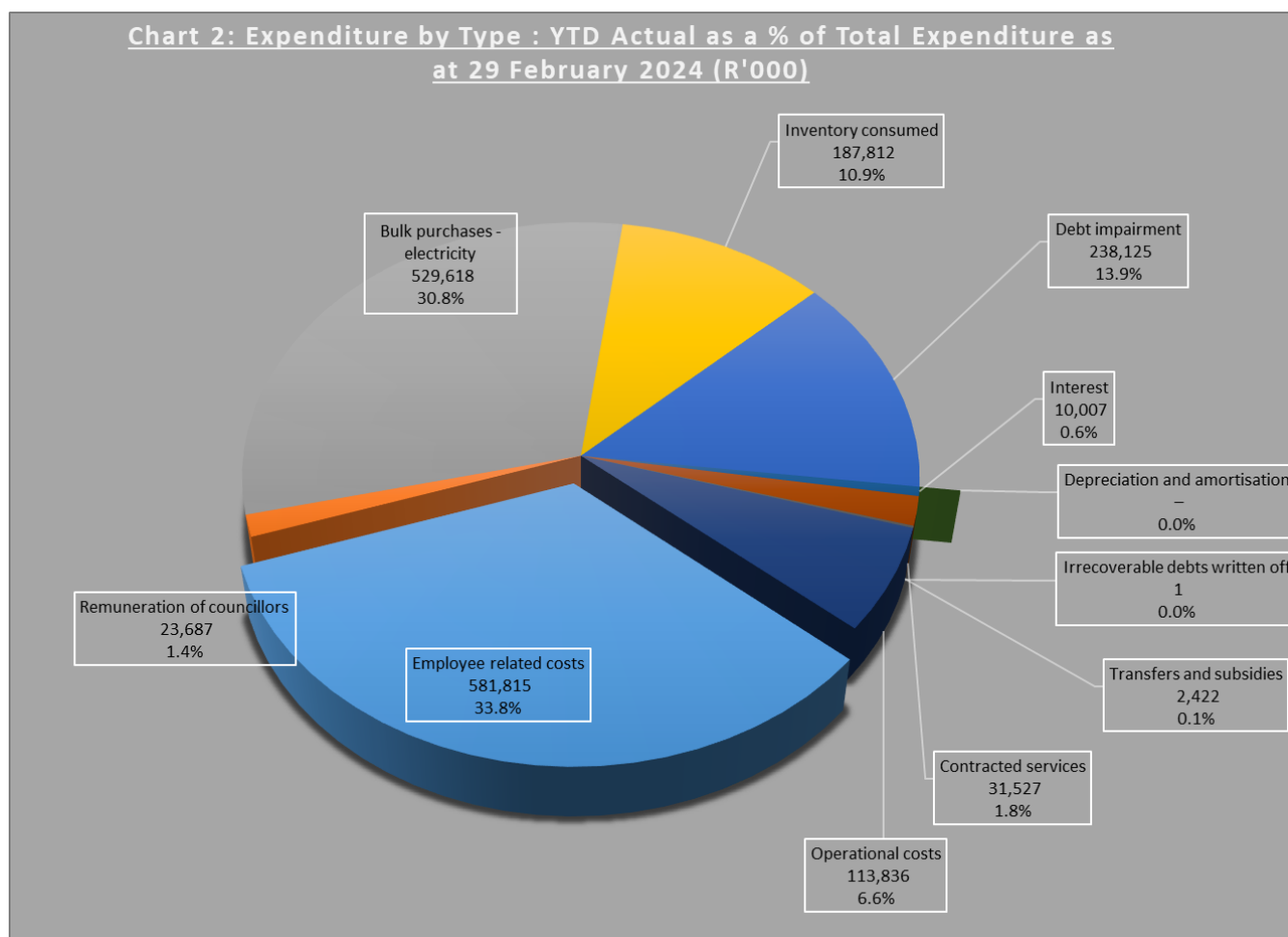


Chart 2: Expenditure by Type: YTD Actual as a percentage of Total Expenditure

Also indicated in Chart 2 above is the weighting of the YTD Actual on Expenditure by Type as a percentage of total operational expenditure as at 29 February 2024. The main cost drivers of the municipality are Employee Related Costs (33.8%), Bulk Purchases – Electricity (30.8%) and Debt Impairment (13.9%) and Inventory consumed (10.9%).

It should be noted that the weighting per Expenditure type is satisfactory. percentages are slightly distorted as a result of the following:

- ❖ Employee costs, the Post-retirement benefit obligations under Employee related costs will be finalized as part of the year-end procedures.
- ❖ Depreciation is not provided for and will only be finalized at year-end.
- ❖ Interest on the long-term borrowing is paid bi-annually in December and June of each year.

Bulk Purchases: Electricity, Water inventory and Water losses

- ❖ Indicated in Table 5.1 below, is the YTD expenditure on Bulk Purchases: Electricity. When compared to the IYM percentage of 66.67% as at end of February 2024, Bulk Purchases Electricity is showing a satisfactory variance of 0.37%. It should be noted that for the interim interest on overdue accounts is included under this line item, no provision was made for Interest on overdue accounts during the Adjustment budget, due to the municipality partaking in the municipal debt relief.

Description	Adjustments Budget	Monthly Actual	YTD Actual	% Spent Adjustments Budget	% Variance Favourable (Unfavourable) Ideal IYM % - 66.67%
BULK PURCHASES: ELECTRICITY	790,100,000	52,506,621	529,618,299	67.03%	0.37%
Total	790,100,000	52,506,621	529,618,299	67.03%	0.37%

Table 5.1: Summary of YTD Bulk Electricity expenditure

- ❖ Indicated in Table 5.2 below, is the Water inventory and Water losses which is showing a satisfactory variance of minus 2.9%, when compared to the ideal percentage of 66.67%. During the Adjustment budget for 2021/22 and advised by NT, Bulk purchases Water was split between Inventory Water and Water losses in the Statement of Financial Performance aligned to GRAP 12. A corrective journal for the actuals pertaining to Water inventory and losses was processed on the system. The actuals are overstated as a result of the water consumption factored in automatically from the billing side. The actual split between water inventory and losses will have to be corrected accordingly, so that it aligns to the actual bulk water purchased.

Description	Adjustments Budget	Monthly Actual	YTD Actual	% Spent Adjustments Budget	% Variance Favourable (Unfavourable) Ideal IYM % - 66.67%
INVENTORY - WATER	64,400,000	5,640,531	55,279,458	85.8%	19.2%
NON-REVENUE WATER LOSSES	66,000,000	-	27,873,202	42.2%	-24.4%
Total	130,400,000	5,640,531	83,152,660	63.8%	-2.9%

Table 5.2: Summary of YTD Bulk Water expenditure

Outstanding debt: ESKOM and DWS

ESKOM - Outstanding debt (R'000)	Sum of Invoice amount	Sum of Payments (2023/24)	Sum of Interest written-off	Sum of Outstanding Balance	Sum of Arrear Debt	Sum of Interest Charges 2023/24
2021/22	523,811	-		523,811	523,811	-
Oct-21	51,028	-		51,028	51,028	-
Nov-21	50,813	-		50,813	50,813	-
Dec-21	51,379	-		51,379	51,379	-
Jan-22	53,401	-		53,401	53,401	-
Feb-22	51,445	-		51,445	51,445	-
Mar-22	54,652	-		54,652	54,652	-
Apr-22	51,835	-		51,835	51,835	-
May-22	57,826	-		57,826	57,826	-
Jun-22	101,431	-		101,431	101,431	-
2022/23	389,602	103,242	(37,482)	248,878	248,878	-
Dec-22	48,088	-		48,088	48,088	-
Jan-23	59,491	-		59,491	59,491	-
Feb-23	56,821	-	(9,504)	47,317	47,317	-
Apr-23	45,106	-	(7,923)	37,183	37,183	-
May-23	65,831	-	(9,033)	56,798	56,798	-
Jun-23	114,264	103,242	(11,022)	-	-	-
2023/24	667,361	401,235	(43,756)	222,370	157,999	59,637
Jul-23	131,032	69,962	(8,736)	52,334	52,334	8,736
Aug-23	123,594	70,000	(10,784)	42,810	42,810	10,784
Sep-23	71,421	30,000	(10,598)	30,823	30,823	10,598
Oct-23	76,317	62,679	(13,638)	-	-	13,638
Nov-23	70,580	62,348	-	8,232	8,232	8,232
Dec-23	64,311	61,246	-	3,065	3,065	3,065
Jan-24	65,735	45,000	-	20,735	20,735	2,691
Feb-24	64,371	-	-	64,371	-	1,893
Grand Total	1,580,774	504,476	(81,239)	995,059	930,687	59,637

Table 6.1: Summary of outstanding ESKOM debt

Indicated in Table 6.1 above, is the total outstanding debt owed to ESKOM amounting to R995,059 million. It should be noted that R81,239 million interest charges were reversed, for interest charges from March 2023 to October 2023, as part of the municipal debt relief programme. For the month of February 2024, the municipality managed to settle R45,000 million on the January 2024 account on 28 February 2024, whilst the balance of R18,044 million was settled on 4 March 2024, as per

the due date. The amounts paid excludes interest charges of R2,691 million that is unpaid, in line with the MFMA Circular 124, the municipality must settle billed charges including VAT. The current account amounts to R64,371 million. The total arrear debt amounts to R930,687 million summarized as follow 2021/22 (R523,811m), 2022/23 (R248,878m) and 2023/24 (R157,999m). The total interest charged on overdue accounts from July to February 2024 amounts to R59,637 million which must be disclosed as Fruitless and Wasteful Expenditure for the year under review. The interest charges that were reversed for the 2023/24 financial year amounts to R43,756 million.

The total billed amount for the 2023/24 financial year amounts to R667,361 million. Total payments for the 2023/24 financial year amounts to R504,476 million of which R103,242 million relates to 2022/23 financial year and R401,235 million was paid for invoices for 2023/24 financial year. The current arrangement with ESKOM is that the municipality must at least settle the monthly current account. There was no formal payment arrangement in place for 2022/23 financial year and the payment arrangement for the debt incurred after March 2023 must be concluded for 2023/24 financial year. The municipality has been doing well in settling the monthly current account and going forward will endeavour to pay over actual receipts from Electricity sales for the same period. The municipality especially struggles during the high months, when the ESKOM bill is double that of the low months.

DWS - Outstanding debt (R'000)	Sum of Invoice amount	Sum of Payments (2023/24)	Sum of Outstanding Balance	Sum of Arrear Debt
2021/22	126,431	66,667	59,764	59,764
INTEREST (APR-JUN 2022)	6,191	–	6,191	6,191
Aug-21	15,075	15,075	–	–
Sep-21	15,795	15,795	–	–
Oct-21	15,275	15,275	–	–
Nov-21	14,523	14,523	–	–
Dec-21	11,108	6,000	5,108	5,108
Jan-22	17,098	–	17,098	17,098
Feb-22	16,437	–	16,437	16,437
Mar-22	14,930	–	14,930	14,930
2022/23	82	82	–	–
WRM LEVIES JUN 2023	82	82	–	–
2023/24	132,886	76,466	56,420	32,373
Jul-23	15,303	–	15,303	15,303
Aug-23	13,588	13,588	–	–
Sep-23	18,332	18,332	–	–
Oct-23	17,633	17,633	–	–
WRM LEVIES JUL 2023	82	82	–	–
WRM LEVIES AUG 2023	82	82	–	–
WRM LEVIES SEP 2023	82	82	–	–
Nov-23	17,070	–	17,070	17,070
Dec-23	13,333	13,333	–	–
Jan-24	13,333	13,333	–	–
Feb-24	24,046	–	24,046	–
Grand Total	259,400	143,216	116,184	92,138

Table 6.2: Summary of outstanding DWS debt

Indicated in Table 6.2 above, is the total outstanding debt owed to DWS which amounts to R116,184 million. The total current water account for February 2024 amounts to R24,046 million. This was based on the municipality's own calculation as there was a huge error in the bill for

February issued by the Department. This was brought under the attention of the Department and the municipality is awaiting feedback in this regard. The total debt also have to be concurred with the Department. The total arrear debt amounts to R92,138 million which pertains to outstanding invoices for 2021/22 financial year (R59,764m). This amount includes interest of R14,704 million which must still be written off by the Department, once all the arrear debt has been settled. All the invoices for the 2022/23 financial year, has been settled in full and for the 2023/24 financial an amount of R32,373m) is still unpaid.

The municipality opted to partake in the Department's Debt Incentive Scheme which constitutes of the following conditions:

- Settling 10% of the arrear debt (municipality complied)
- Settling the current account each month (municipality complied since inception of Incentive scheme but has defaulted on some months. All invoices for 2022/23 financial year have been settled in full. The municipality defaulted for July, September, October and November 2023. The September and October 2023 invoices were settled, however the biggest concern for the municipality is to settle the outstanding invoices for July and November 2023 as a matter of urgency.
- Settling the monthly debt instalment (municipality complied, but defaulted for February 2024, due to insufficient cash available from operations).
- Repayment of debt over 12 months (municipality requested 24-month repayment period, which was approved by the Department)
- Also included in the Incentive scheme, is the writing-off of all accrued interest and suppression of interest going forward, hence no interest was charged for the prior and current financial year. The repayment proposal was approved by the Department.

Chart 2.1: Monthly payments: DWS & ESKOM: 2022/23 and 2023/24

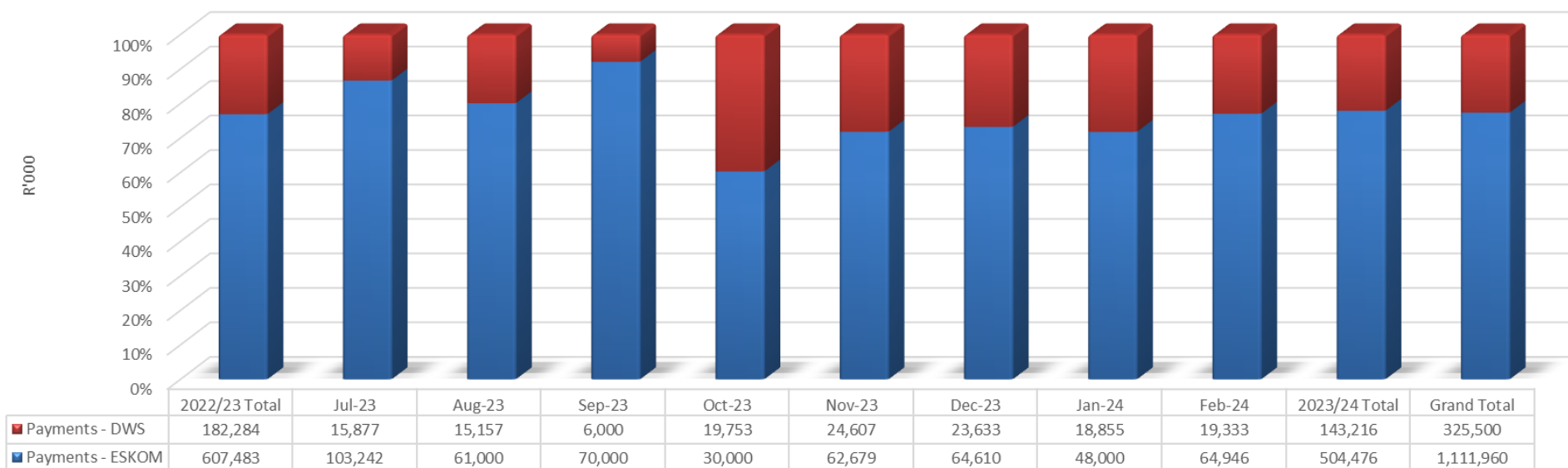


Chart 2.1: Monthly payments to DWS & ESKOM

Indicated in Chart 2.1 above, are the monthly payments made to DWS and ESKOM for 2022/23 and 2023/24 fin year as at 29 February 2024.

The total amount paid to DWS for February 2024 amounted to R19,333 million. The municipality had insufficient cash available to settle the July and November 2023 accounts in full. Payments for 2022/23 amounts to R182,284 million and payments for 2023/24 amounts to R143,216 million. The total payments amount to R325,500 million. The municipality has shown significant improvement over the financial year in terms of payments to DWS, with the average amount paid per month amounting to approximately R18,000 million.

For the month of February 2024, the municipality settled an amount of R64,946 million. The total payments made for the 2022/23 financial year amounts to R607,483 million and for 2023/24 financial year the payments amount to R504,476 million, resulting in the total payments for both periods amounting to R1,111,960 billion. The municipality has been improving on payments made to Eskom from November 2023 to date. The high months remains a concern.

FIN YEAR PER PAYMENT DATE ▾	Sum of VOTE AMOUNT
⊕ 2022/23	R 607,483,087.93
⊖ 2023/24	R 504,476,471.94
20230801	R 103,241,512.23
20230830	R 61,000,000.00
20230928	R 35,000,000.00
20230929	R 35,000,000.00
20231031	R 30,000,000.00
20231130	R 62,678,528.38
20231220	R 2,262,000.00
20231228	R 62,347,938.72
20240130	R 48,000,000.00
20240209	R 13,246,492.61
20240219	R 6,700,000.00
20240228	R 45,000,000.00
Grand Total ESKOM	R 1,111,959,559.87

FIN YEAR PER PAYMENT DATE ▾	Sum of VOTE AMOUNT
⊕ 2022/23	R 182,284,059.00
⊖ 2023/24	R 143,215,835.26
20230727	R 82,471.24
20230712	R 15,794,682.80
20230804	R 15,074,754.70
20230830	R 82,471.24
20230914	R 6,000,000.00
20231003	R 13,588,064.81
20231005	R 82,471.24
20231027	R 82,471.24
20231018	R 6,000,000.00
20231106	R 6,275,086.61
20231114	R 18,331,770.78
20231208	R 6,000,000.00
20231212	R 17,633,270.36
20240105	R 5,522,530.48
20240130	R 13,332,894.88
20240212	R 6,000,000.00
20240301	R 13,332,894.88
Grand Total DWS	R 325,499,894.26

Table 6.3: Summary of payments per payment date

Indicated in tables 6.3 above, are the payments to ESKOM and DWS per financial year and per payment date, which corresponds to Chart 2.1 above. On the 9 February 2024, an amount of R13,246 million as paid as the final payment of the December 2023 account. On the 19 February 2024, the municipality settled an amount of R6,700 million as part of the debt repayment proposal. On 28 February 2024, the municipality settled an amount of R45,000 million to ESKOM for the January 2024 account. On 12 February 2024 the municipality settled an amount of R6,000 million to DWS, as part of the debt repayment instalment and on 1 March 2024 settled an amount of R13,333 million on the January 2024 water account.

Chart 2.2: Monthly & YTD comparison of Bulk Electricity and Water debt - Jun 2023 to Feb 2024

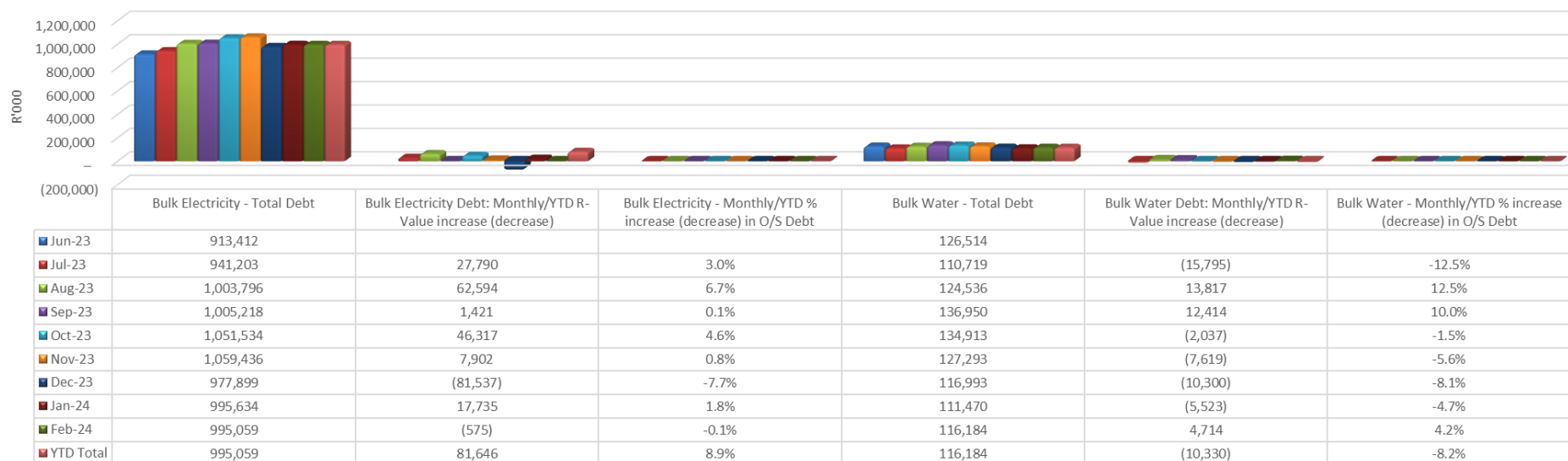


Chart 2.2: Monthly & YTD comparison – Bulk Electricity & Water debt

Indicated in Chart 2.1 above, is the monthly and YTD comparison of Bulk electricity and Water debt.

ESKOM - From January 2024 to February 2024, debt owed to ESKOM decreased by R575 thousand or 0.1%, from R995,634 billion to R995,059 million. When comparing the total outstanding debt to June 2023, the outstanding debt increased by R81,646 million or 8.9%, from R913,412 million to R995,059 million. The total amount that was subject to the payment arrangement was R163,062 million for debt that accrued after March 2023. To date the municipality settled an amount of R8,962 million with the total current outstanding balance amounting to R154,100 million.

DWS - From January 2024 to February 2024, debt owed to DWS increased by R4,714 million or 4.2%, from R111,470 million to R116,184 million. When comparing the total outstanding debt to June 2023, the outstanding debt decreased by R10,330 million or 8.2% from R126,514 million to R116,184 million. The municipality has made significant strides in reducing the debt owed to DWS. The total capital debt amounted to R159,373 million, whilst the municipality settled an amount of R114,327 resulting in net outstanding balance of R45,061 million.

4.3 Capital expenditure

NC091 Sol Plaatje - Table C5 Monthly Budget Statement - Capital Expenditure - February 2024										
Capital expenditure	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	% Achieved YTD Budget	YTD variance	YTD variance %	Achieved Adjusted Budget	Adjusted Budget Variance	Adjusted Budget Variance IYM % - 66.67%
	R'000	R'000	R'000	R'000	%	R'000	%	%	R'000	%
Capital expenditure	271,284	25,953	70,258	170,678	41.16%	(100,420)	-58.8%	25.9%	(110,598)	-40.8%
Funded by										
Capital transfers recognised	215,894	25,289	64,448	143,154	45.02%	(78,707)	-55.0%	29.9%	(79,482)	-36.8%
Internally generated funds	55,390	664	5,810	27,523	21.1%	(21,714)	-78.9%	10.5%	(31,117)	-56.2%
Weighting Capital transfer recognised	79.6%	97.4%	91.7%	83.9%						
Weighting Internally generated funds	20.4%	2.6%	8.3%	16.1%						

Table 7: High level summary: Capital Expenditure

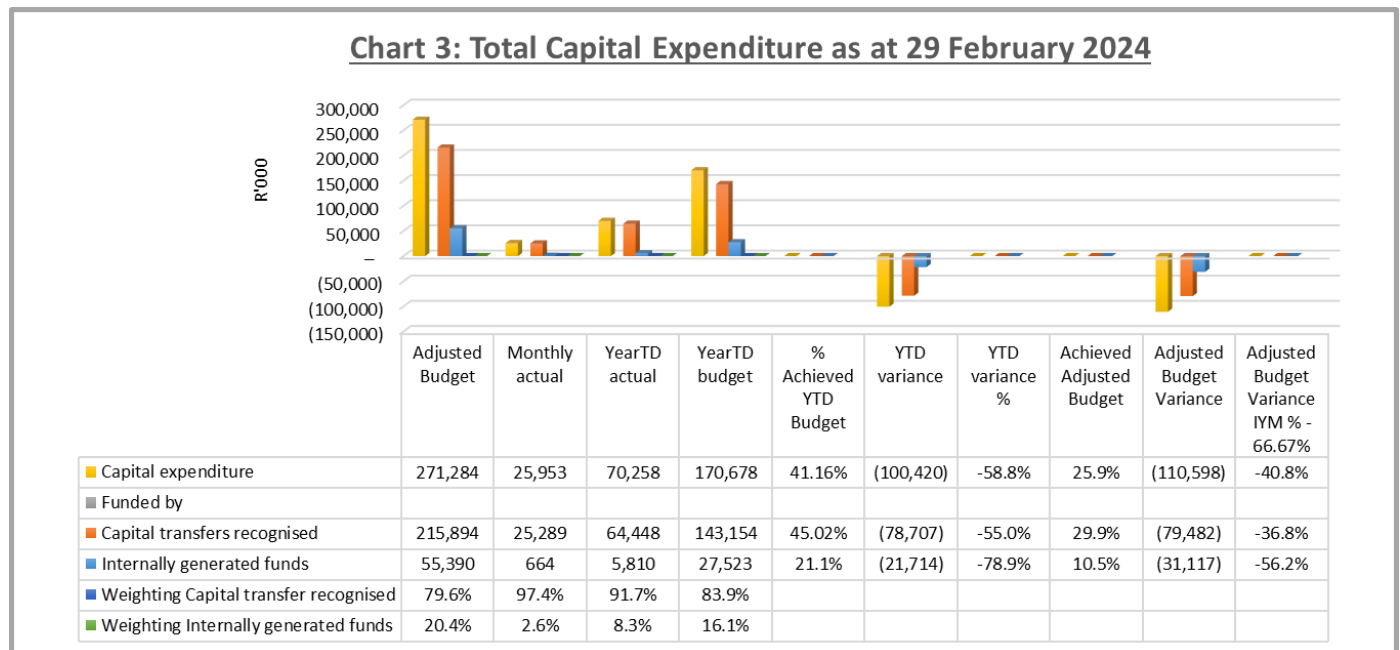


Chart 3: Total Capital expenditure

As indicated in the Table 7 and Chart 3 above, the YTD Actual on capital expenditure as at end of February 2024 amounted to R70,258 million and 41.16% spent when compared to the YTD budget of R170,678 million and 25.9% spent when compared to the Adjusted Budget of R271,284 million. The total YTD capex is funded from Capital grants R64,448 million (91.7%) and Internally generated funds R5,810 million (8.3%). Capex is extremely low and major intervention is required for the financial year. Planning of project managers also needs to improve going forward. One of the major challenges that the municipality is experiencing is in respect of tendering processes.

The majority of capital projects are based on a functionality criteria. Bidders either do not meet the functionality criteria or submit incomplete tender documents resulting in bidders being non-responsive. And due to the non-responsiveness of bidders, these bids unfortunately have to be re-advertised. The municipality has been implementing more compulsory site meetings to sensitise service providers on the compliance issues pertaining to bid documents. Secondly, project managers need to realistically anticipate challenges and immediately address delays in order to ensure that projects are completed within the specified timeframe. Contract management also needs to be monitored more closely, placing emphasis on the performance of appointed service providers and addressing issues of non-performance immediately. The Project Management Unit (PMU) is not adequately staffed, resulting in a lack of qualified permanently appointed project managers. Lastly, it is advised that disputes, if any are addressed and resolved expeditiously. The capital expenditure is slow and overall capital expenditure remains a major concern. Remedial action will have to be taken going forward to ensure improvement on capex. It should be noted that capital expenditure excludes VAT and commitments. The capital expenditure report shown in Annexure A, Table C5 has been prepared on the prescribed monthly C-schedule, and is categorised by municipal vote and functional classification.

Sol Plaatje (NC091): Monthly Budget Statement: S71 Monthly Report: February 2024

4.4 Cash flows

Chart 4: Current investment deposits and Cash & cash equivalents at year-end

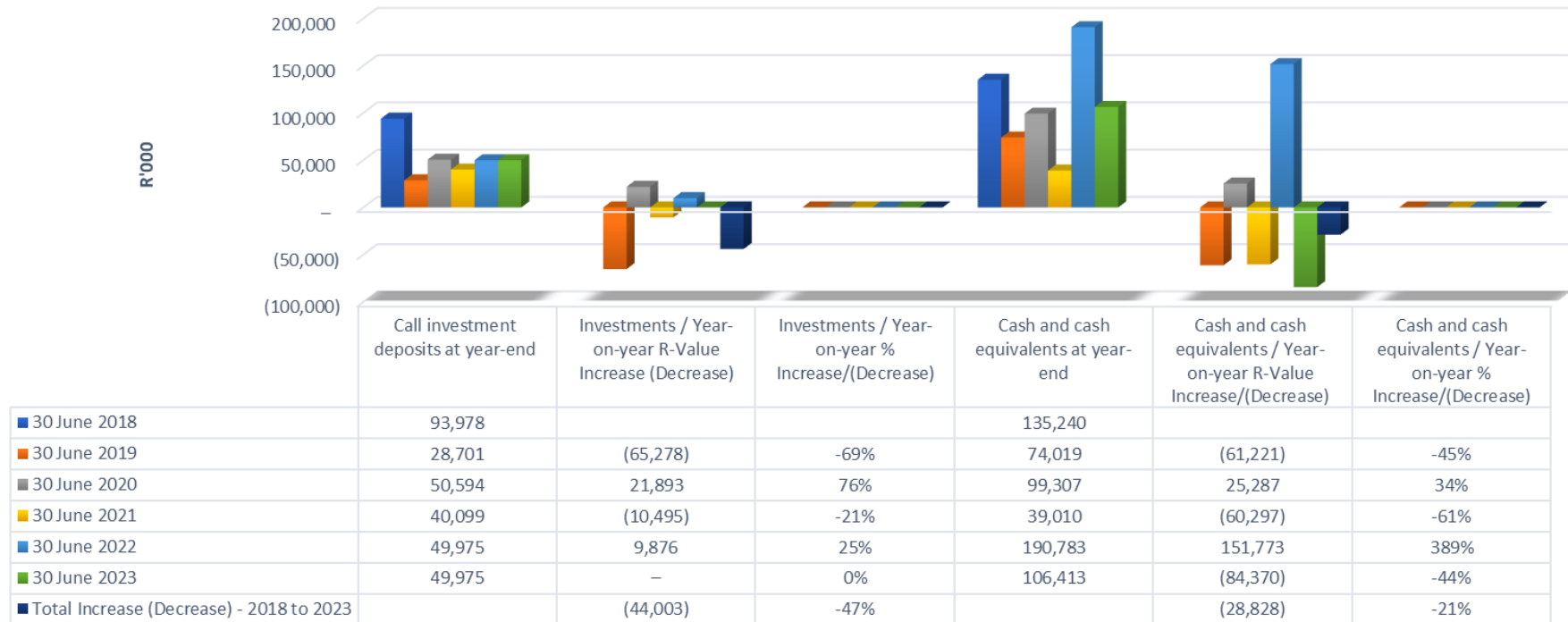


Chart 4: Call investment deposits and Cash & cash equivalents at year-end

Investments decreased by R65,278 million or 69% from 2018 to 2019. Investments increased by R21,893 million or 76% from 2019 to 2020. Investments decreased by R10,495 million or 21% from 2020 to 2021. Investments increased by R9,876 million or 25% from 2021 to 2022. The total investment remained the same from 2022 to 2023. From 2018 to 2023, the total investments decreased by R44,003 million or 47%. The same trend can be seen year-on-year, as indicated in the chart above in respect of the Cash and cash equivalents. There has been a substantial increase in the Cash and Cash equivalents for the year ended 30 June 2022, due to portion of the Equitable Share that was held as reserve, to avert a crisis situation, where the municipality cannot pay salaries. This is attributable to various factors inter alia, the lower collection rate, increased capital expenditure, especially increase on CRR funding year-on-year, the non-implementation of the basic charge for the 2018/19 financial year, increase in bulk purchases, operational expenditure, including excessive expenditure on Overtime and EPWP, variation orders on contracts, excessive water and electricity losses. And the servicing of the long-term loan. The decline in investments and Cash & cash equivalents is concerning and must be addressed by management.

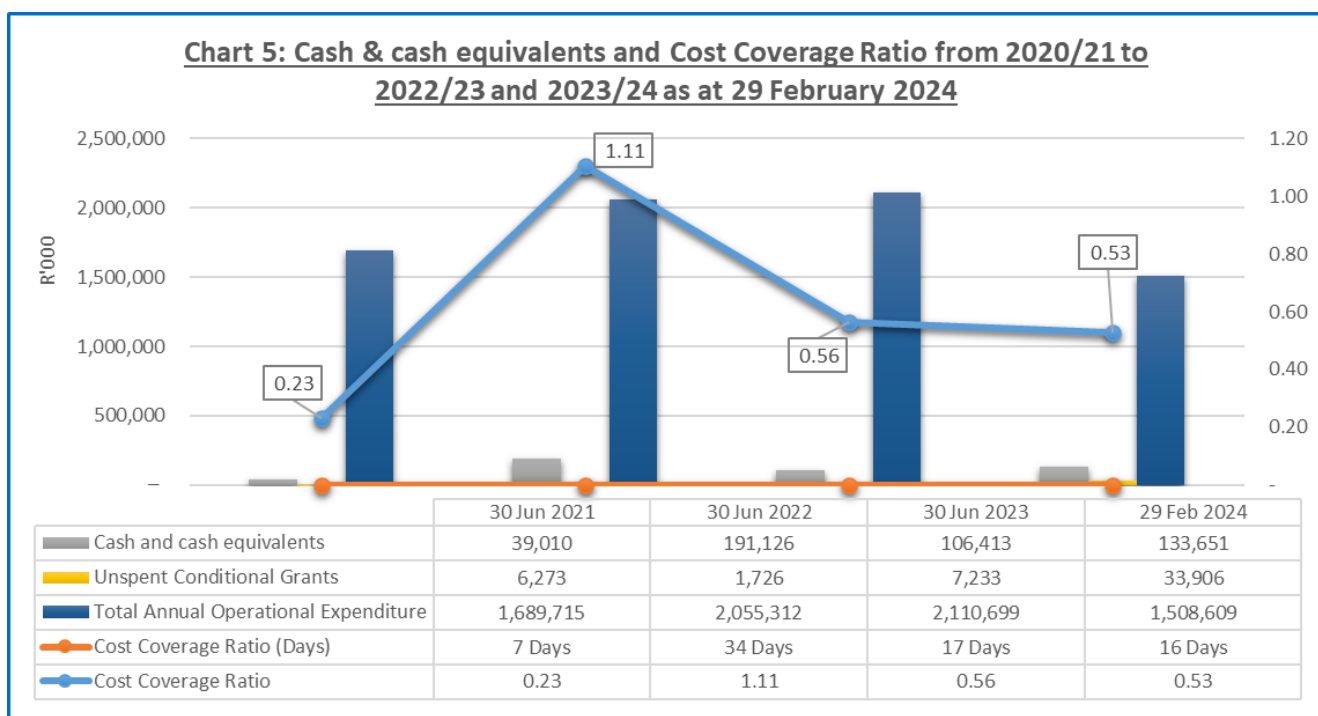


Chart 5: Cash & cash equivalents and Cost coverage ratio

Indicated in Chart 5 above, is the Cost coverage ratio, number of days coverage and the Cash and cash equivalents for the year. The required NT norm is 3 months Cost coverage. The audited outcome for the year ended 30 June 2021 is (0.23; 7 days; R39,010m). There was a marginal improvement for the year ended 30 June 2022 (1.11; 34 days; R191,126m), but this was as a result of increased Cash and cash equivalents, which was predominantly Equitable share funds that the municipality was saving to build up some kind of reserve. The audited outcomes for the year ended 30 June 2023 is (0.56; 17 days; R106,413m). The Cost coverage ratio as at 29 February 2024 is calculated at (0.53; 16 days; R133,651m).

Cash at this stage is monitored on a daily basis. The Cost coverage ratio is a critical indicator that the municipality is in a severe cash flow crisis and not in the conducive position to settle short-term commitments. This is a critical threat to the municipality's ability to pay salaries, bulk accounts and day-to-day operations which can have a detrimental effect on service delivery and irrevocably damage the municipality's relationship with its service providers and further tarnishing the municipality's reputation. This is also evident by the escalation in debt owed to ESKOM and DWS. However, as a result of the debt agreement with DWS and the Incentive initiated by the Department, the municipality has made significant strides in reducing the arrear debt and settling all invoices for the 2022/23 financial year in full.

The only way to address these issues, is to work as a collective team, enforce accountability within all departments and to collect outstanding debt and improve the collection rate. Therefore, the municipality must apply the Credit Control Policy diligently, consistently and fairly to ensure the credibility of the municipality. During the 2022/23 Mid-year engagement, National Treasury recommended that the Credit Control and Debt Collection Policy must be 100% applied. Generally, the payment culture of all consumers and stakeholders must improve. The municipality also needs to spend funds effectively and efficiently with good value for money. Cost containment measures must be stringently applied.

5. In-year budget statement tables

The financial results for the period under review is included in Annexure A, consisting of the following C-schedule tables.

- (a) Table C1: Summary
- (b) Table C2: Financial Performance (Functional Classification)
- (c) Table C3: Financial Performance (Revenue and Expenditure by Municipal vote)
- (d) Table C4: Financial Performance (Revenue and Expenditure)
- (e) Table C5: Capital Expenditure by vote, functional classification and funding
- (f) Table C6: Statement of Financial Position
- (g) Table C7: Cash Flow

6. Municipal Debt Relief Monitoring - MFMA Section 71 reporting

Indicated in the table below is the monthly progress in terms of the municipal debt relief monitoring.

MFMA Circular Reference and Focus Areas	Eskom Debt Relief Conditions	Reporting Frequency / Target Dates	Target / Portfolio of Evidence	Reporting period - February 2024 Comments
6.3 Maintaining the Eskom and Water bulk current account – (current account for the purpose of this exercise means the account for a single month's consumption)	6.3.1 The municipality must monthly pay and maintain its Eskom bulk current account and bulk water current account - Department of Water and Sanitation (DWS), within 30 days of receiving the relevant invoice	Monthly, within 30 days of receiving invoice on or before due date as per the monthly invoice	Proof of payment (which includes, remittance advice, invoice and extract of corresponding bank statement)	Compliant - ESKOM The municipality managed to settle R45,000 million excl interest of R2,691m on 28 February 2024 on the current ESKOM account of R65,735m. The shortfall of R18,044m was settled on 4 March 2024 as per the due date. Compliant - DWS The municipality settled the current Water account amounting to R13,333m in full on 01 March 2024, as per the due date.
	6.3.1 (a) At a minimum, pay the monthly debt instalment on 5th of each month as per signed debt agreement with DWS. (b) Pay the monthly debt instalment of R6,700m to Eskom on 15th of each month	Monthly, 5th of each month		Non-compliant The municipality had insufficient cash available from operations to settle the debt repayment instalment of R6m on or before 5th of March 2024. The municipality settled R6.7m on 19 February 2024.
	6.3.2 Submit the supporting evidence of the bulk Eskom current account payment to the National Treasury, Eskom and DWS, within 1 day of making any such payment	Within 1 day after making payment	Proof of payment and proof of email submission	Compliant Email was sent within one day of payment to ESKOM and DWS.

MFMA Circular Reference and Focus Areas	Eskom Debt Relief Conditions	Reporting Frequency / Target Dates	Target / Portfolio of Evidence	Reporting period - February 2024 Comments
	6.3.3 Submit the proof of payment to the National Treasury in PDF format via the GoMuni Upload Portal to substantiate that payment was made.	Monthly, within 10 working days after month end	GoMuni Status of Schedule of Revenue Documents Submissions Report	Compliant Proof of Payments made in February 2024 for January 2024 account was uploaded onto GoMuni 6 March 2024. Due date is 14/03/2024.
	6.3.4 - The amount as per the proof of payment must reconcile to the amount recorded on the financial system as per the mSCOA data string and the section 41(2) MFMA statement of Eskom and DWS	Monthly, within 10 working days after month end	Monthly financial data strings	Partially compliant Invoices are captured on the system, however minor accounts for Eskom and DWS are posted to the same bulk control votes. Erroneous transactions will be journalised. Disclosure issue - the capturing of the current invoice on the system is problematic because it is only received in the new month and captured after month-end closure, resulting in a misalignment between the YTD actual and outstanding creditor.
6.6 Electricity and Water Collection (Demonstration through by-laws and budget related policies)	6.6.1 Issue monthly billing and allocate payment received from customers in the following priority order: (1) Property Rates (2) Water (3) Waste Water (4) Refuse Removal and (5) Electricity	Monthly	Monthly billing reconciliation / Financial system generated hierarchy allocation report	Compliant Priority of order of allocations was correct on the system. This is a once-off correction that the system will apply when payments are made.
	6.6.2 The municipality is disconnecting electricity services and/or blocking the purchasing of pre-paid electricity of any defaulting consumer/property owner	Monthly	Number of disconnected / blocked meters	675 businesses and households

MFMA Circular Reference and Focus Areas	Eskom Debt Relief Conditions	Reporting Frequency / Target Dates	Target / Portfolio of Evidence	Reporting period - February 2024 Comments
	6.6.3 The municipality is restricting and/or interrupting the supply of water of any defaulting consumer/property owner	Monthly	Number of restricted / interrupted supply	Non-compliant At this stage the Municipality is only disconnecting/blocking electricity. We are in discussions with the Senior Manager: Water Services Compliance to introduce restrictions in the water supply of Debtors we are struggling to disconnect / block. He has requested that we pause on implementation until such time that the water crises is managed.
	6.6.4 If the defaulting consumer/ property owner is registered as an indigent consumer with the municipality, the monthly supply of electricity and water to that consumer/property owner must be physically restricted to the monthly national basic free electricity and water limits of 50 Kilowatt electricity and 6 Kilolitres water, respectively.	Monthly	No of indigent consumers	Non-compliant Due to the financial constraints currently faced by many of our Indigent Customers (inability to afford services) we have not implemented the limitation of services in this manner.
6.7 Maintain a minimum average quarterly collection of property rates and services charges	6.7.1 The municipality must strictly enforce its credit control and debt management related policies and achieve a minimum of 80 per cent average quarterly collection of property rates and service charges with effect from 01 April 2023 and 85 per cent average quarterly collection with effect from 01 April 2024 during any quarter. Although the norm and standard for collection rate according to MFMA Circular No. 71 indicates a 95 per cent threshold, municipalities under the debt relief support will be exempted for the first two years from adhering to this norm	Monthly (Internal) and Quarterly (Debt Relief)	Collect R10,000 million daily over 22-day period, to achieve an average quarterly collection of 80% (Monthly S71 Revenue Collection Ward Template)	Compliant Monthly S71 Revenue Collection rate per Ward = 107% Not achieved . Average daily cash collection for February 2024, was R7,406m. Average collection = 80.2%

MFMA Circular Reference and Focus Areas	Eskom Debt Relief Conditions	Reporting Frequency / Target Dates	Target / Portfolio of Evidence	Reporting period - February 2024 Comments
6.9 Monitor and report on implementation	6.9.1 MFMA section 71 reporting – has the municipal council and senior management team instituted processes to monitor and enforce accountability for the implementation of the municipality's funded budget and Budget Funding Plan where relevant?	Monthly, within 10 working days after month end	Progress report to be included in Monthly S71 Report	Compliant Report included in the monthly S71 report for February 2024
	6.9.2 If progress is slow in terms of paragraph 6.9.1, is the active intervention evident from the narratives supporting the municipality's monthly MFMA section 71 reporting and recorded on the financial system as per the mSCOA data string?			
	6.9.3 Municipalities with financial recovery plans (FRP) – if the municipality has a FRP as envisaged in the prevailing local government legislative framework, it must monthly report its progress in implementing its FRP to the Provincial Executive			
6.10 Provincial Treasury's Certification of municipal compliance	6.10 Provincial Treasury certification of municipal compliance – in terms of section 5 and 74 of the MFMA to be performed by the relevant PT			
	Executive Management Team (EMT) to review the National Treasury: Local Government Budget Analysis (NT: LGBA) compliance certification for the prior month and take immediate remedial action	Monthly, within 1 days after issue	NT: LGBA Compliance Certification	The municipality received the compliance certificates for January 2024. Management must take remedial actions as per the recommendations made by National Treasury
6.12 The municipality for the duration of the Municipal Debt Relief (to ensure proper	6.12.1 Open a separate investment account to serve as a sub-account	Once-off	Investment account confirmation	Compliant A call deposit account to serve as a sub-account was opened on 13 November 2023 with our primary banker. Sub-account account no longer required in terms

MFMA Circular Reference and Focus Areas	Eskom Debt Relief Conditions	Reporting Frequency / Target Dates	Target / Portfolio of Evidence	Reporting period - February 2024 Comments
management of resources)				of Municipal Debt Relief Supplementary Guide to MFMA Circular No. 124
	<p>6.12.1 must apportion and ring-fence in a sub-account to its primary bank account –</p> <p>(a) all electricity, water and sanitation revenue the municipality collects in any month; and</p> <p>(b) the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic electricity, water and sanitation</p>	Funds ito be invested weekly and withdrawn monthly	Investment account and primary bank statement	<p>Finalised</p> <p>Daily process developed to identify amounts received per service.</p> <p>EQS portion to be considered on a monthly basis, once subsidies have been allocated on the system.</p> <p>Partially compliant</p> <p>The ESKOM and DWS current accounts were paid directly from the Primary bank account.</p> <p>Investment account statement no longer required in terms of Municipal Debt Relief Supplementary Guide to MFMA Circular No. 124</p>
	<p>6.12.2 must monthly first apply the revenue in the sub-account (required per paragraph 6.12.1) to pay its current Eskom account and then secondly its bulk water current account before it may apply the revenue in the sub-account for any other purpose.</p>	Monthly	Investment account and bank statement and proof of payment aligned to actual receipts	<p>Partially compliant</p> <p>The ESKOM and DWS accounts were paid directly from the Primary bank account. Municipality has a backlog in terms of built-up reserves. Salaries and third-party salary payments including commitments to other creditors make this requirement difficult to reach.</p>

MFMA Circular Reference and Focus Areas	Eskom Debt Relief Conditions	Reporting Frequency / Target Dates	Target / Portfolio of Evidence	Reporting period - February 2024 Comments
	The municipality monthly submit a copy of the bank statement of its ring-fenced bank account to the National Treasury and provincial treasury aligning to its MFMA s.71 statement collected revenue	Monthly, within 10 working days after month end	Bank statement and proof of payment aligned to actual receipts	Partially compliant Investment account statement no longer required in terms of Municipal Debt Relief Supplementary Guide to MFMA Circular No. 124. Primary bank account statement is uploaded on GoMuni. Revenue received to be aligned to actual payments. Payments made directly from Primary bank account.

Critical areas that the municipality must address and/or improve upon

Settling of the current accounts for both Water and ESKOM

Settling of the debt repayment instalment

Achieving the desired collection rate of 95% and application of the Credit Control Policy

Restricting or interrupting of water supply of defaulting customers and indigents. Assistance from the Engineer for Water & Sanitation is really needed in this regard.

Improving on indigent management, especially in light of the audit findings raised.

Installation of smart prepaid meters. Engineers for Water and Electricity is really needed in this regard.

Engaging ESKOM to assist in collections in ESKOM supplied areas (Ritchie). Debtors Management to do an assessment of actual debt owed and the number of registered indigents compared to total number of households.

Development of the policy for smart prepaid metering solutions

Ring-fencing actual cash received for Electricity and Water

Building up of reserves as a matter of urgency.

The two items above, can only be realistically achieved if the collection rate improves significantly.

PART 2: SUPPORTING DOCUMENTATION

7. Debtors' Analysis

NC091 Sol Plaatje - Supporting Table SC3 Monthly Budget Statement - aged debtors - M08 February

Description	NT Code	Budget Year 2023/24											
		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	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	28,130	23,157	19,238	19,933	17,473	16,751	83,341	576,905	784,928	714,404	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	48,899	18,497	14,067	12,480	11,258	11,386	43,556	169,183	329,325	247,863	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	38,340	16,833	14,315	13,028	12,404	11,861	147,897	600,565	855,242	785,754	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	7,941	5,845	5,393	5,104	4,918	4,801	26,347	187,284	247,633	228,454	-	-
Receivables from Exchange Transactions - Waste Management	1600	6,782	4,638	4,421	4,012	3,812	3,712	20,161	145,143	192,680	176,839	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	1,757	1,738	1,731	1,721	1,721	1,709	9,417	58,042	77,836	72,610	-	-
Interest on Arrear Debtor Accounts	1810	21,242	21,436	20,978	20,204	19,731	19,594	103,288	685,699	912,172	848,516	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820								-	-			
Other	1900	56,168	3,323	4,493	5,991	5,849	9,968	34,132	212,190	332,115	268,130	-	-
Total By Income Source	2000	209,260	95,466	84,635	82,474	77,164	79,782	468,139	2,635,012	3,731,931	3,342,570	-	-
2022/23 - totals only		#####	84618511	71277611	77102976	69035642	63851407	#####	#####	3,280,421	2,970,191	0	0
Debtors Age Analysis By Customer Group													
Organs of State	2200	21,005	12,374	11,199	10,497	8,253	9,278	123,580	556,672	752,858	708,280	-	-
Commercial	2300	61,594	25,355	20,178	17,246	15,372	15,451	75,319	407,601	638,117	530,990	-	-
Households	2400	123,643	55,850	51,191	52,850	51,674	53,692	261,718	1,611,090	2,261,708	2,031,024	-	-
Other	2500	3,018	1,886	2,067	1,881	1,864	1,361	7,521	59,649	79,248	72,276	-	-
Total By Customer Group	2600	209,260	95,466	84,635	82,474	77,164	79,782	468,139	2,635,012	3,731,931	3,342,570	-	-

Table 8: Supporting Table SC3: Aged Debtors

Chart 6.1: Debtor's Age Analysis by Income Source as at 29 February 2024

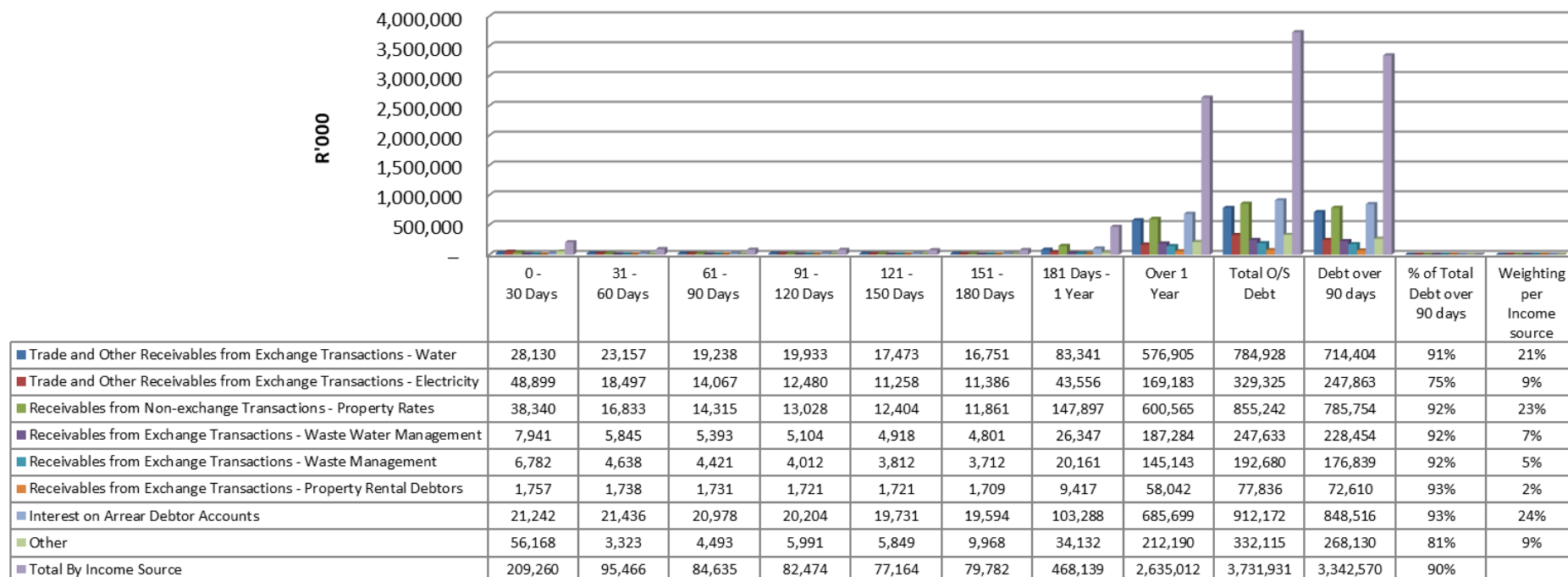


Chart 6.1: Debtor's age analysis by Income Source

Indicated in Table 8 and Chart 6.1 above is the total outstanding debt by Income Source, including the debt over 90 days, the percentage of total Debt over 90 days and percentage weighting. The total O/S Debt amounts to R3,731,931 billion as at the end of February 2024 with the bulk of SPM's debt is aged over 90 days with an overall weighting of 90%.

The highest percentage weighting of debt owed by Income Source, over 90 days is attributable to:

- ❖ Trade and Other Receivables from Exchange Transactions – Water at 91%
- ❖ Receivables from Non-Exchange Transactions – Property Rates at 92%
- ❖ Receivables from Exchange Transactions - Waste Water Management and Waste Management at 92% each.
- ❖ Receivables from Exchange Transactions - Property Rental Debtors at 92%
- ❖ Interest on Arrear Debtor Accounts at 93%

The highest percentage weighting of debt owed by Income Source is attributable to:

- ❖ Receivables from Non-exchange Transactions - Property Rates at 23%
- ❖ Interest on Arrear Debtor Accounts 24%, and
- ❖ Trade and Other Receivables from Exchange Transactions – Water at 21%

Chart 6.2: Debtor's Age Analysis by Customer Group as at 29 February 2024

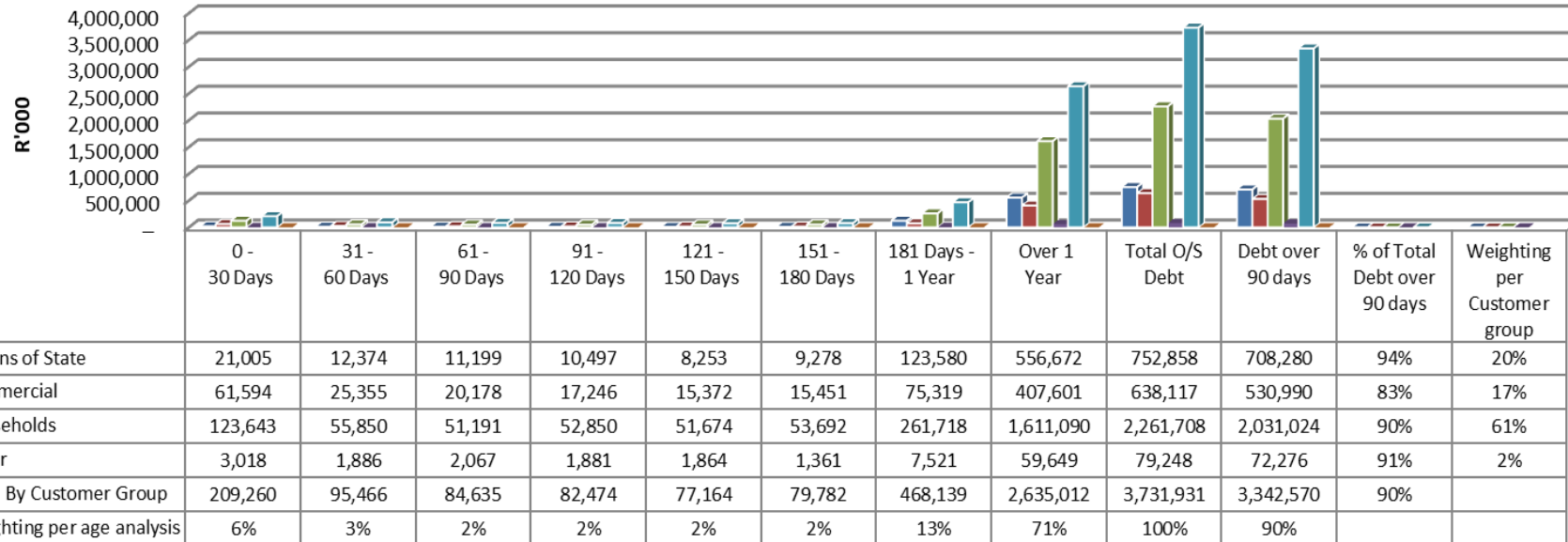


Chart 6.2: Debtor's age analysis by Customer Group

Indicated in Table 8 and Chart 6.2 above is the total outstanding debt by Customer Group, including the debt over 90 days, the percentage of total Debt over 90 days and percentage weighting.

The percentage weighting of debt owed by Customer Group, over 90 days is:

- ❖ Organs of State at 94%
- ❖ Commercial at 83%
- ❖ Households at 90% and
- ❖ Other at 90%.

The percentage weighting of debt owed by Customer Group is attributable to:

- ❖ Organs of state at 21%, total debt outstanding is R752,858 million
- ❖ Businesses at 17%, total debt outstanding is R638,117 million
- ❖ Households at 60%, total debt outstanding is R2,261,708 billion
- ❖ Other at 2%, total debt outstanding is R79,248 million.

An analysis revealed that the catalysts for this condition are the sheer volume of accountholders in arrears, the poor economic circumstances of a large number of our accountholders, and the increasing cost of services beyond the Municipality's control. There is a substantial portion of irrecoverable, stagnant debt that attracts interest every month. We have a backlog of processing this debt and submitting this to Council for approval to write off. We have revised our policies to make our processes more effective. This will allow us to focus on preventing debt from ageing where possible in tracing and updating our debtors' information and of course recovering outstanding amounts.

We anticipate a marked turnaround of this trend and in conjunction with a concerted effort to retard the escalation of ageing debt, we are focusing on improving the accuracy and regularity of our billing as well as our communication with our accountholders. Indigent verification is a continuous process and we are encouraging accountholders whose households qualify, to approach the Municipality for an assessment and possible registration as an Indigent Household. The benefits of this are the provision of free basic services and assistance with arrear debt owed to the Municipality. The payment culture of consumers needs to improve across all areas. Articulated in the paragraph below under "Revenue Management" is a detailed plan with interventions and improvements.

Revenue Management: Activities for the month of January 2024

We held a Finance Workshop on 30 January 2024 for all Councillors. The session constituted presentations by the following Sections: Billing, Customer Care, Credit Control, Indigents and Rates.

The **Billing** Section reported that they are working around the clock to resolve audit findings. This includes the initiative of serving red-final notices to Customers whose meters have not been read in more than 3 months due to the meters being inaccessible.

Customer Care provided information relating to accounts, submission of readings, dispute resolution mechanisms, updating of Customer information and the importance of this exercise.



Credit Control provided information on the Debt Relief Programme currently running. The requirements to qualify for the Programme were explained as well as the options available to qualifying Customers. Councillors were requested to distribute the advert relating to the Programme to their community members also explain the options to Customers. The campaigning for this initiative is underway: there has been articles in the local newspaper, advert placed on social media platforms and we have also had radio and television interviews

The concern was raised with regards to this benefit only being for those who are in arrears: what about Customers who pay their account religiously? Credit Control advised that there is currently an early settlement discount (10%) for all Customers whose accounts are up to date and payments on accounts are made by the 15th of every month respectively.

The response to this initiative has been positive and we are anticipating that the number of Customers that are keen on taking part in the programme will increase this coming month.

The **Indigent Section** went through the requirements for indigent assistance, the Section raised a concern that they were not getting any applications for child-headed households. The office of the Chief Whip indicated that they would prioritize this matter and delegate someone to deal specifically with child-headed households. More campaigning has to be done by the Section in order to reach the set target of 15 000 households. Verification must be prioritized this year.

The **Rates Section** provided information relating to the property valuation process, the onus is on the property to ensure that they agree with a valuation, if not then objections must be submitted within the indicated timeframe.

We have commenced with the disconnection/blocking of electricity as required by our Credit Control Policy. We have requested the assistance of the Sol Plaatje Electrical Section to assist with the disconnection of electricity of our arge power users.

We are receiving monthly payments from our Government Customers and are holding meetings with the Departments in order to obtain the monies that are owed to the Municipality. The receipts for

January 2024 were R29,852,396.14 as compared to R21,977,063.95 that was paid for the month of December 2023.

GOVERNMENT DEBT	
DEPARTMENTS	RECEIPTS JANUARY 2024
NATIONAL PUBLIC WORKS	R6,624,150.87
PROVINCIAL PUBLIC WORKS	R279,705.72
DEPARTMENTS OF HEALTH	R3,952,250.94
SOCIAL DEVELOPMENT	R19,881.00
ECONOMIC DEV & TOURISM	R356,826.13
COGHSTA/ HOUSING	R279,525.36
PROVINCIAL LEGISLATURE	R8,707.26
CORRECTIONAL SERVICE	R2,566,242.00
NATIONAL DEFENCE FORCE	R4,206,404.91
AGRICULTURE	R95,246.98
EDUCATION	R400,000.00
SPORTS, ARTS & CULTURE	R195,796.88
TRANSPORT	R419,973.95
DE BEERS	R1,044,484.62
TELKOM	R2,192,895.34
TRANSNET	R5,597,180.29
ESKOM	R272,024.68
SCHOOLS	R1,341,099.21
	R29,852,396.14

Chart 7 below, depicts the month-on-month summary of Debt over 90 days as a percentage of total O/S Debt which remained constant at 90% for the month under review. Debt over 90 days decreased by R25,479 million in respect of the month-to-month comparison. The month-to-month decrease on Total debt amounted to R8,363 million. Total debt decreased by 0.2 percent when compared to the prior month. It is concerning that total debt over 90 days is hovering at an average of 89 percent. During the 2023/24 MTREF Budget Benchmark exercise NT also encouraged the municipality, to explore all avenues to recoup long outstanding debt, to improve on financial liquidity and to improve the collection rate to at least 89% to be realistically funded from a cash perspective.

Chart 7: Debt over 90 days as a % of total O/S Debt: Jun 2023 - Feb 2024



Chart 7: Debt over 90 days as a percentage of Total O/S Debt

- There is an error on the C-schedules, supporting schedule SC3 – Aged Debtors for the audited outcome for 2022/23. This error affected Chart C3 Aged Consumer Debtors Analysis. The problem has been resolved by our financial system provider (BCX). However, the totals are for December 2022, this will have to be confirmed with NT, if it for the same period of the prior year or the audited outcomes that are required. The error on Chart C4 Consumer Debtors (total by Debtor Customer Category) must be communicated to NT as the 2022/23 audited actuals is not aligned to the AFS and is based on an erroneous formula which the municipality is strictly prohibited from fixing manually. The C-schedule for this reason, is completely password protected. The corrected charts are indicated below.

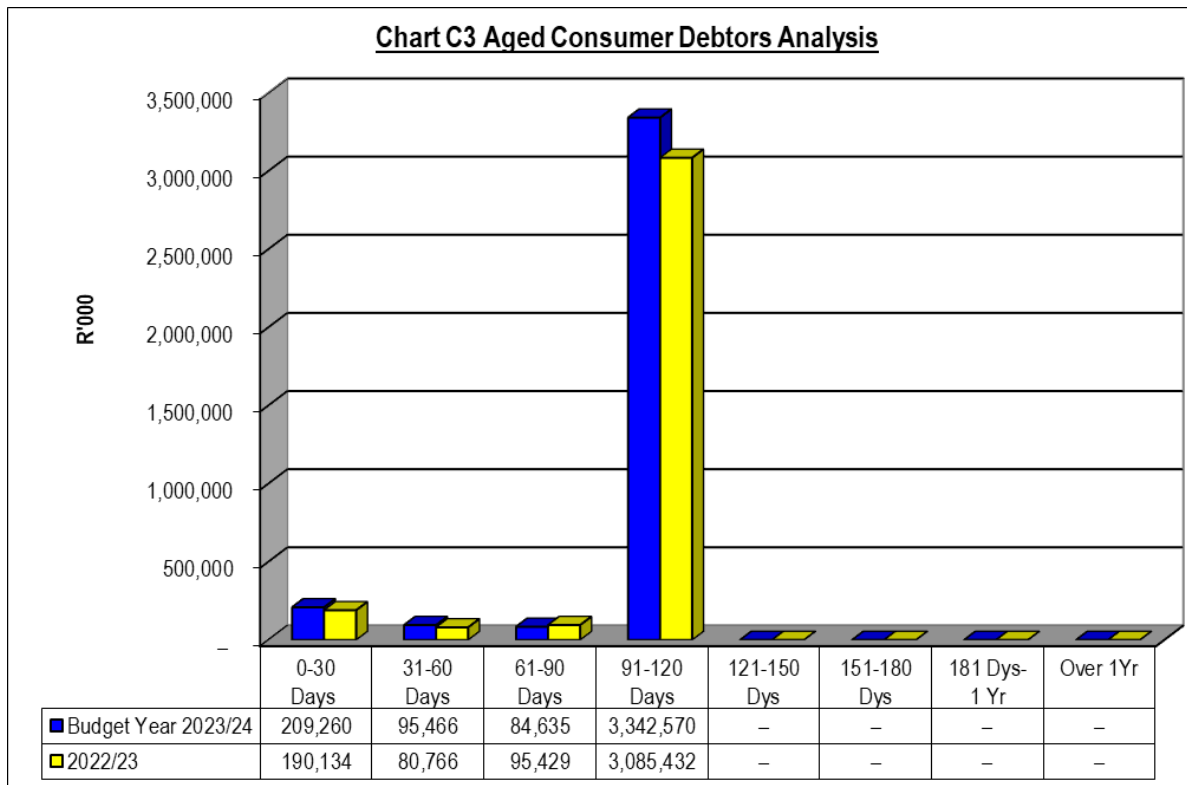


Chart 8: Aged Consumer Debtor Analysis

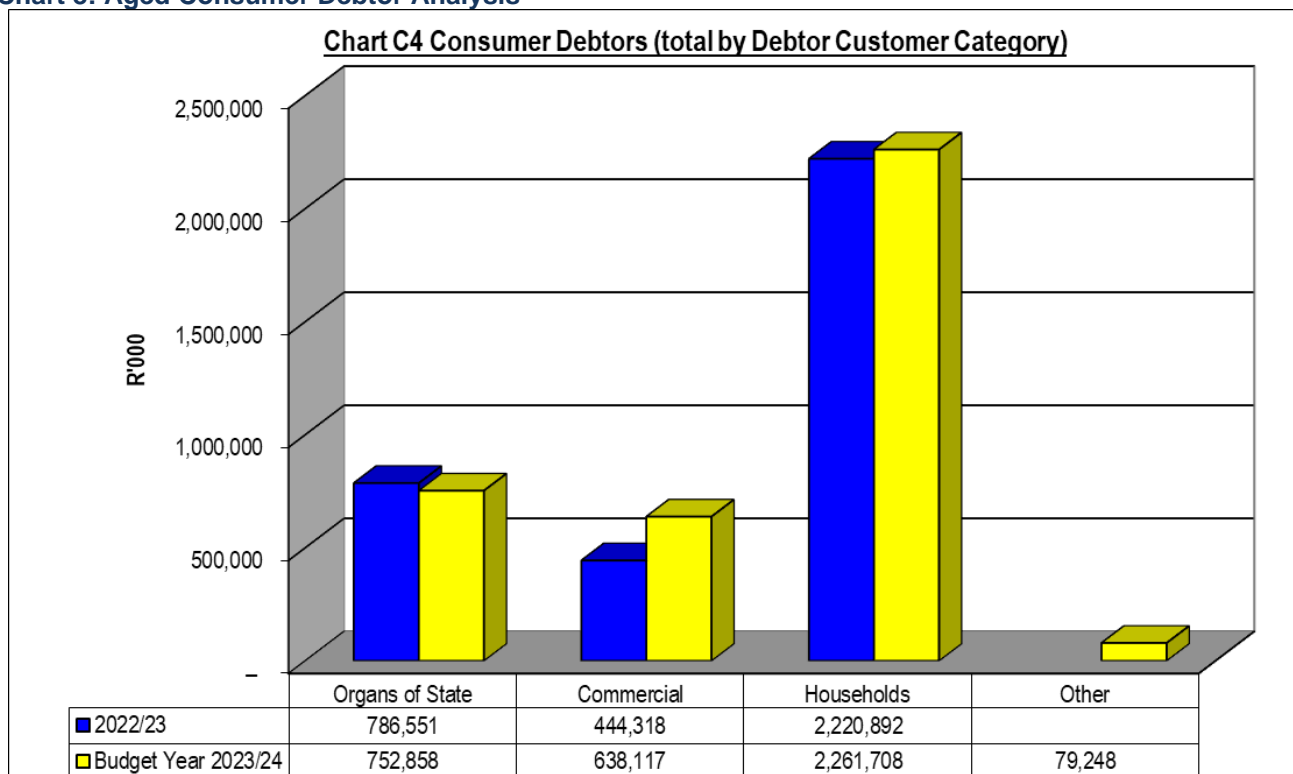


Chart 9: Consumer Debtors (total by Debtor Customer Category)

During the Mid-year Budget Assessment for the 2021/22 financial year and indicated below are the Revenue enhancement strategies that can be implemented to ensure the completeness of Revenue, improve the collection rate, enhance customer relations and reduce losses

- Disconnection of consumers to be applied consistently and fairly in line with the Credit Control Policy
- Engagements with provincial government to collect outstanding debt.
- Data cleansing of the entire debtor's book
- Data cleansing to positively influence the reachability of consumers and assist tremendously in the electronic distribution of municipal accounts via short messaging services (sms) and e-mail.
- Improve in the accuracy of monthly billing.
- Ensure meters are read consistently and timeously.
- Significantly reduce interim readings and ultimately eliminate interim readings.
- Reduce material billing errors by thoroughly interrogating billing exception reports prior to final billing run.
- Enhance customer relations and consumer satisfaction by improving on the turnaround time when dealing with billing queries.
- Introduce electronic complaints management system/register for account queries.
- Ensure faulty and bypassed electricity meters are replaced.
- Ensure that stuck, leaking, faulty or damaged water meters are replaced.
- Do regular follow-ups on meter replacements.
- Accurately update the system with latest information
- Reduce the turnaround time for installation of replacement or new meters.
- Ensure improved synergy and improved communication between internal department like Town Planning, Infrastructure, GIS and Billing
- Interrogate billing and prepaid electricity reports on a monthly basis and take immediate remedial action to address anomalies or discrepancies.
- Ensure that all billable properties are billed for Property rates and services.
- Ensure that customers are billed at the correct approved tariff by linking each customer to the correct tariff code loaded on the system.
- Reduce Electricity and Water losses.
- Finalise the Riverton reclamation dam to reduce water losses at the Plant by at least 6%
- Introduce automated metering for bulk consumers.
- Electricity Cost of Supply Study was finalised
- Ensure qualifying indigents are registered on the system, immediately upon verification.
- Improve on indigent management in terms of consumption and ensure prepaid electricity meters are installed immediately for all approved indigents.
- Improve on service delivery and personnel performance, to enhance customer's willingness to pay.
- Reduce or curb unnecessary expenditure by diligently applying cost containment measures.
- Prioritisation of spending
- Improve on routine maintenance on particularly revenue generating assets.
- Spend funds effectively with good value for money.

Revised collection rate

As per Table 9 below, when taking into consideration what was billed in January 2024 and received in February 2024, the monthly collection rate is 84%, for Property Rates and Service charges only. When including Other billing and receipts, the monthly collection rate is 80%. It should be noted that receipts are aligned to the billing cycle which is normally from the 26th of the prior month to the 25th of the current month. The monthly collection rate is satisfactory for the month under review. Unallocated receipts amounted to R8,875 million and will be allocated during March 2024. Indicated in Table 10 below is the revised average collection rate of 80.2%, for Property rates and Service charges only. The average collection rate when taking into consideration on the annual billing on Property rates and Other was calculated at 75.7%. The lower collection rate is not an ideal situation and is having a dire impact on the cash flow of the municipality. The current status quo cannot continue, and drastic action will have to be taken to address this critical issue.

When considering the average collection rate, various factors are taken into account, like the receipts on Prepaid Electricity, unallocated credits, etc. The YTD billing on Property Rates and Service Charges are obtained from the general ledger. Billing on Other is obtained from the BS902 report (Debits Raised Versus Payments). The BS566 report (Payments per Service per Day/Period) includes all monies received from 1 February to 29 February 2024. Unallocated credits are obtained from the cashbook. Government in particular and businesses/households that opt to get billed annually, had until the end of September 2023 to settle their outstanding accounts.

Monthly Collection Rate	Debits (Billed January 2024)	Credits (Received February 2024)	% Collected
PROPERTY RATES	45,063,057	35,650,143	79%
ELECTRICITY	46,069,515	53,036,381	115%
WATER	29,428,416	19,113,478	65%
SEWERAGE	9,775,740	4,207,880	43%
REFUSE	7,944,829	3,623,160	46%
PROP RATES & SERVICES	138,281,556	115,631,041	84%
OTHER	25,407,039	15,338,530	60%
TOTAL	163,688,595	130,969,571	80%

Table 9: Monthly collection rate

REVENUE BY SOURCE	YTD ACTUAL FEBRUARY 2024	YTD RECEIPTS	Rate
PROPERTY RATES	R 500,804,071	R 369,664,589	73.8%
SERVICE CHARGE ELECTRICITY	R 363,069,002	R 351,793,429	96.9%
SERVICE CHARGE ELECTRICITY - PREPAIDS	R 208,160,501	R 208,160,501	100.0%
SERVICE CHARGE WATER	R 193,713,142	R 110,081,437	56.8%
SERVICE CHARGE SANITATION	R 64,241,687	R 32,065,817	49.9%
SERVICE CHARGE REFUSE	R 51,232,772	R 27,575,655	53.8%
UNALLOCATED CREDITS		R 8,875,208	
REVISED AVERAGE COLLECTION RATE - FEBRUARY 2024	R 1,381,221,175	R 1,108,216,635	80.2%
REVISED AVERAGE COLLECTION RATE - FEBRUARY 2024	1,381,221,174.77	1,108,216,635.33	80.2%
LESS ANNUAL BILLING ON PROPERTY RATES	R -141,456,341.14	-104,573,693.42	73.9%
INCLUDING OTHER	R 211,552,275	R 94,482,988	44.7%
REVISED AVERAGE COLLECTION RATE LESS ANNUAL BILLING AND INCLUDING OTHER	R 1,451,317,108.19	R 1,098,125,929.49	75.7%

Table 10: Revised Average collection rate

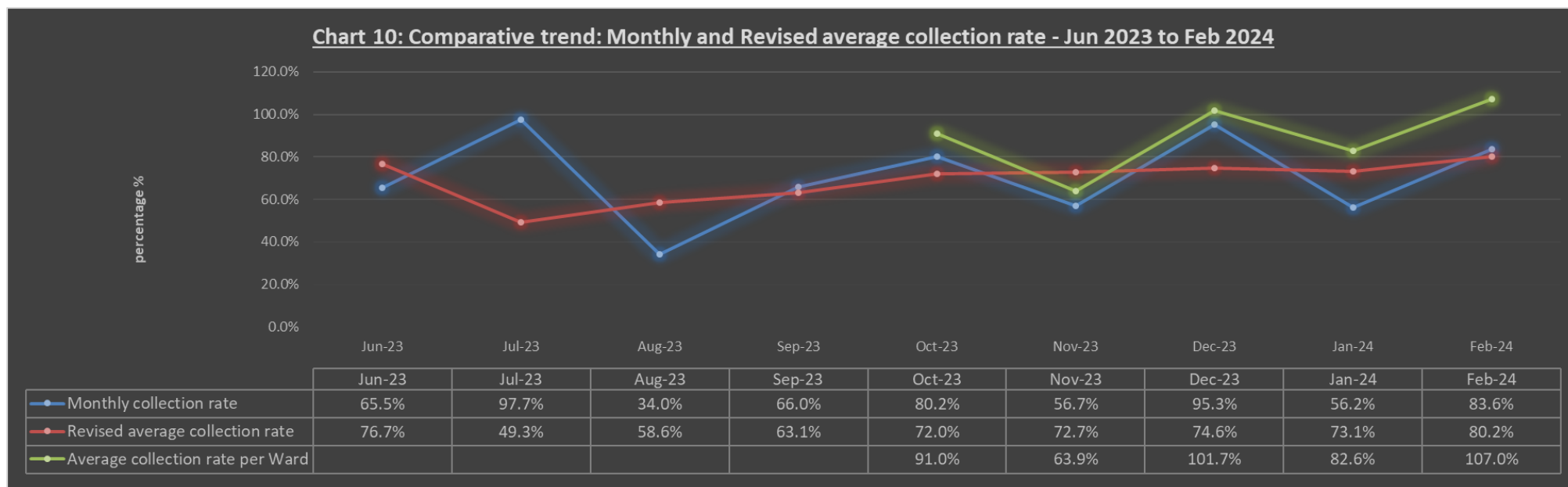


Chart 10: Comparative trend: Monthly and Revised average collection rate

Indicated in Chart 10 above, is the comparative trend between the monthly and average collection rate from June 2023 to February 2024. The monthly collection rate for August 2023 and the revised average collection for July 2023, is low due to the annual billing of Property rates. It should be noted that the monthly collection rate takes into account what was billed in the previous month and received in the current month. The receipts are also based on the billing cycle, which will normally be from 26th of the previous month to 25th of the current month. The monthly collection rate also excludes Prepaid electricity sales and Other billing. It should be noted from June 2023 to January 2024, Other was included in the calculation but from February 2024 onwards, the collection rate is based on the receipts versus billing for Property Rates and Service charges only. The lower collection levels is not ideal because on a monthly basis, the municipality is not receiving enough cash to cover its short-term commitments. For the municipal debt relief, the municipality is also expected to report the average collection rate per ward. The collection rate per ward was 82.6% for the month under review. It should be noted that an amount of R19,671m was unallocated at month-end, which negatively influenced these collection rates.

During the 2023/24 MTREF Benchmark engagement, NT advised that the municipality, “must make an effort to collect long outstanding debtors and strive to push collection rate beyond 89% so that we are able to make a surplus on the cash flow which will enable the municipality to cover all the proposed expenditures including bulk purchases for Eskom and Water Board. As things stand, if you look at the cash flow, it shows that the municipality will collect less revenue than the proposed expenditure, however, the budget on A8 remains funded because of huge outstanding debtors that the municipality is still anticipating to collect, hence our plea for the municipality to collect those long outstanding debtors not written off.”

Chart 11.1: Month-to-month - Total Billing Receipts incl Prepaid Electricity from Jun 2023 to Feb 2024

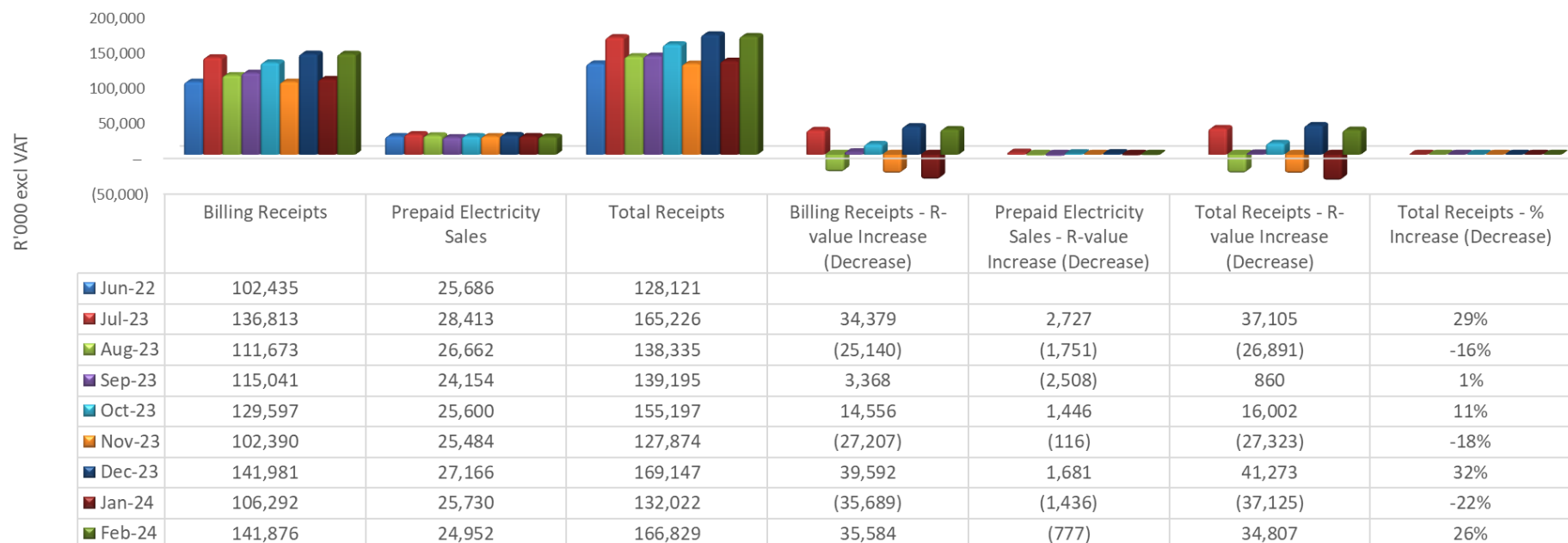


Chart 11.1: Month-to-month - Total Billing Receipts incl Prepaid Electricity

As indicated in Chart 11.1 above, the Total Receipts amounted to R141,876 million which resulted in an increase of R34,807 million or 26% in respect of the month-to-month comparison. Billing receipts increased by R35,584 million, whilst Prepaid Electricity Sales decreased by R777 thousand. The deteriorating situation for the past few months/years does not bode well for the municipality's cash flow because on a monthly basis the municipality does not collect sufficient cash to cover its monthly commitments. Unallocated billing receipts at month end amounted to R8,875 million. Unallocated receipts are not factored into the actual receipts as per the chart above. All unallocated receipts are investigated and assistance from the bank is also requested when the municipality is unable to trace receipts so that it can be allocated timeously and accurately.

Chart 11.2: Monthly billing receipts per revenue source & % contribution from Jul 2023 - Feb 2024

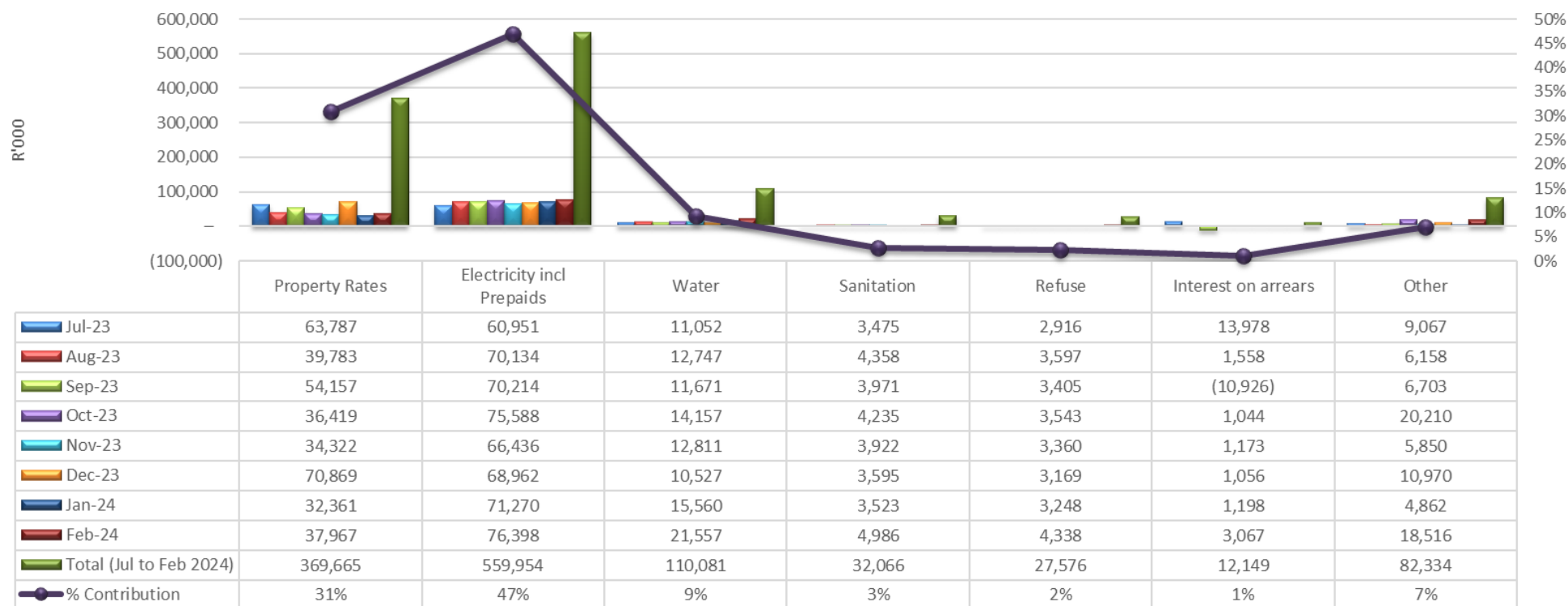


Chart 11.2: Monthly billing receipts per revenue source and % contribution

Indicated in Chart 11.2 above, is the month-to-month receipts per Revenue source and percentage contribution of receipts per revenue source as at 29 February 2024. Receipts are relatively constant based on the month-to-month comparison. The actual cash collected remains a serious concern and positive results can be achieved, provided that the Credit Control and Debt Collection Policy is strictly, consistently, and fairly applied. Revenue streams that are all showing improvement in relation to the monthly comparison. Data from the above chart, indicates that Electricity incl Prepays at R559,954 million (47%) is the highest contributor, followed by Property rates at R369,665 million (31%) being received. This illustrates the sensitivity and vulnerability in respect of electricity sales that the municipality is facing. Any major reductions in this revenue source can severely affect the municipality's financial position and this was clearly demonstrated when the municipality had to abolish the implementation of the basic charge in 2018/19 financial year. Measures should be implemented to ensure that receipts from annual Property rates billing materialises. Receipts from Water constitutes 9% and Other 7% overall.

Receipts from Sanitation and Refuse is extremely low and on average the municipality collects approximately 54% from these revenue sources. The lowest contributor in respect of actual receipts, has always been Interest on arrears. This demonstrates the fact that the municipality is facing challenges in collecting long outstanding debt. It should be noted that in terms of the approved Customer Care, Credit Control and Debt Collection Policy, it outlines that "the municipality shall implement an incentive for settlement of arrears accounts as illustrated below:

- a) 100 % of all interest charges and penalties not yet paid and still reflecting on the consumer's most recent account may be written off if such account is settled in full prior to the next billing run of such account.
- b) 85 % of all interest charges and penalties not yet paid and still reflecting on the consumer's most recent account may be written off if such account is settled in full over a period of two consecutive months.
- c) 50 % of all interest charges and penalties not yet paid and still reflecting on the consumer's most recent account will be written off if such account is settled in full over a period of three consecutive months."

The above incentives then negatively influence the collectability of this revenue source, but positively influences the collection of other services.

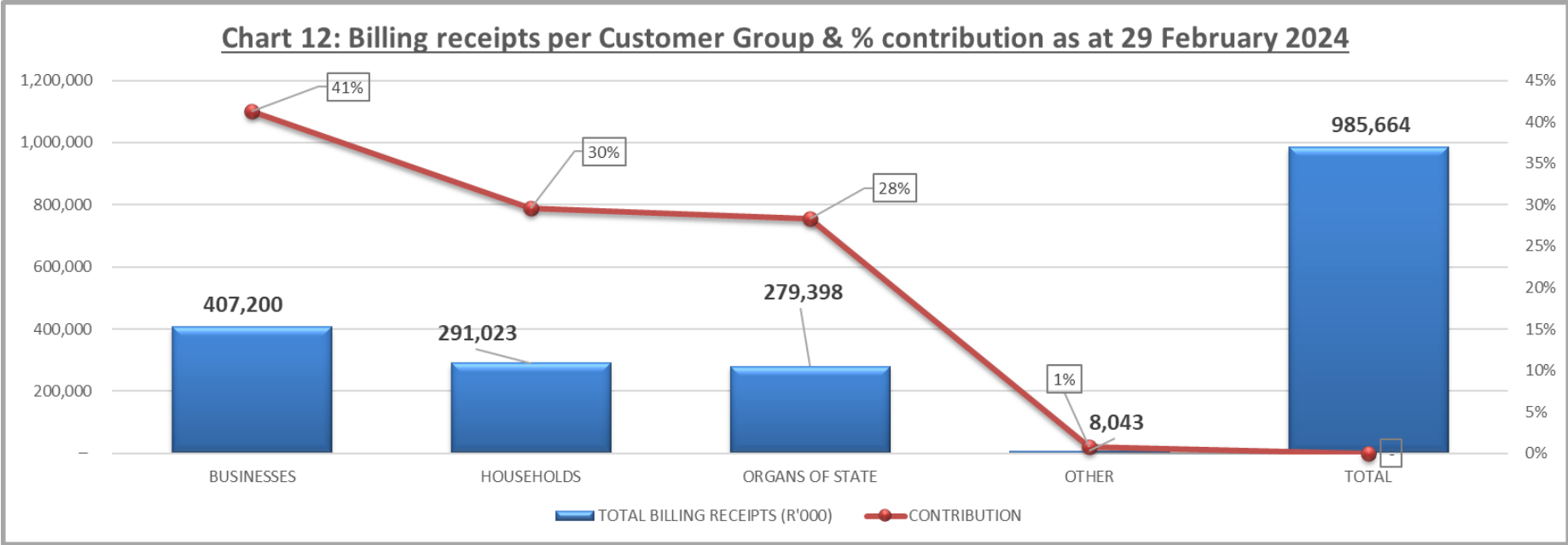


Chart 12: Billing receipts per Customer Group

Indicated in Chart 12 above, is the billing receipts and percentage contribution per major Customer group as at 29 February 2024. The municipality received R407,200 million (41%) from Businesses, Households R291,023 million (30%), Organs of State R279,398 million (28%) and Other R8,046 million (1%).

8. Creditors' Analysis

NC091 Sol Plaatje - Supporting Table SC4 Monthly Budget Statement - aged creditors - M08 February

Description	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	
R thousands											
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	64,371	20,735	3,065	8,232	–	30,823	189,125	678,707	995,059	776,211
Bulk Water	0200	24,046	–	–	17,070	–	–	15,303	59,764	116,184	172,272
PAYE deductions	0300	11,205	–	–	–	–	–	–	–	11,205	9,946
VAT (output less input)	0400									–	
Pensions / Retirement deductions	0500	8,341	–	–	–	–	–	–	–	8,341	7,891
Loan repay ments	0600									–	
Trade Creditors	0700	13,089	1,271	418	18	3	215	0	44	15,058	8,026
Auditor General	0800	137	–	–	–	–	–	–	–	137	127
Other	0900	20,212	257	564	88	86	–	1	14,229	35,437	23,577
Total By Customer Type	1000	141,401	22,263	4,046	25,409	89	31,038	204,430	752,744	1,181,421	998,051

Table 11: Supporting Table SC4: Aged Creditors

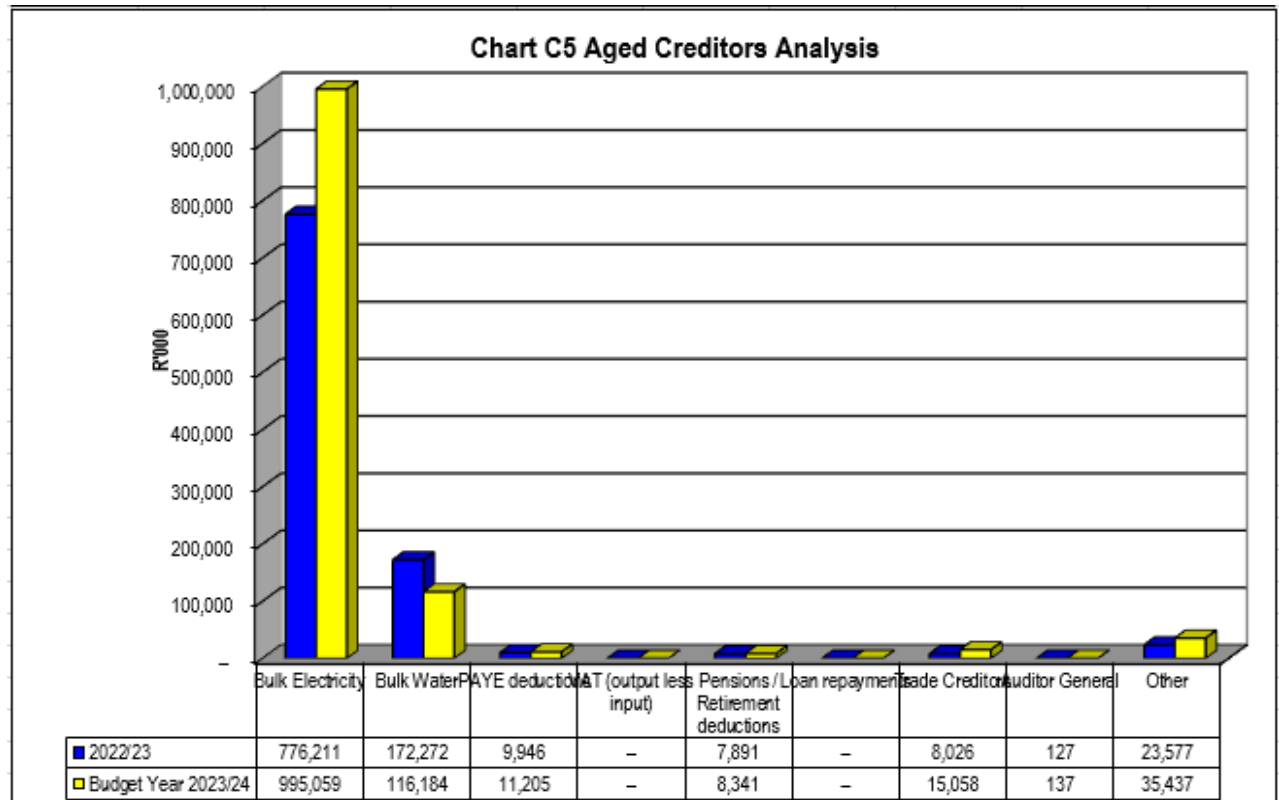


Chart 13: Aged Creditors Analysis

It should be noted that comparative figure for 2022/23 is based on the outstanding creditors as at 28 February 2023 (prior year totals for the same period).

Bulk Electricity – As at the 29 February 2024, the outstanding debt owed to ESKOM amounted to R995,059 million. The current agreement with ESKOM is that the municipality must settle its monthly current account. As per the Debt Relief approval, the municipality must enter into a payment arrangement with ESKOM for the debt that accumulated after March 2023. This proposal was submitted to ESKOM for approval.

Bulk Water – As at the 29 February 2024, the outstanding debt owed to DWS is R116,184 million. A payment agreement with DWS for the 2022/23 financial year has been concluded for a period of 24 months and the municipality is participating in the Incentive scheme that the Department is providing to municipalities. All invoices for 2022/23 financial year were settled in full. The debt must be concurred with the Department as there was a billing error for February 2024, that municipality fixed manually for the interim.

PAYE and Pension statutory deductions are paid over monthly to the relevant institutions on or before seventh of the new month.

VAT – after the monthly VAT reconciliation, we claimed an amount of R8,929 million from SARS.

Trade creditors are all suppliers registered on the municipality's database and it is a prerequisite for these suppliers to be registered on the Central Supplier Database (CSD).

Auditor General – the current account due to the AGSA is R137 thousand.

Other creditors – includes Sundry creditors which were unpaid as at 29 February 2024 of which the biggest contributor is other third party salary payments amounting to R17,973 million which was paid by 7 March 2024.

9. Investment portfolio analysis

The market value of the investment portfolio has been utilized and for the period ending 29 February 2024, the value of total investments made was R134,460 million including interest. Investment top-ups for the month under review amounted to zero rand, while an amount of R31,792 million was partially or prematurely withdrawn. This does not bode well for the municipality and we are running into major trouble in terms of meeting commitments to pay salaries, Eskom and DWS and even other creditors. The disclosure of interest has to be discussed with NT so that the municipality can align interest received to the data strings, whilst NT must provide guidance of the YTD accrued interest that are not yet reflected in the books. This exercise is normally performed during year-end procedures. Please note that the investments are committed and/or held for the following reasons:

Purpose	R'000
A fixed deposit that was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of the long-term loan.	21,597
A fixed deposit that was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.	7,893
Unspent capital grant receipts that were invested for the current year.	70,595
The investment account set aside for ESKOM and DWS.	0
Own funds invested	34,374
Total	134,460

NC091 Sol Plaatje - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M08 February

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate %	Commis sion Paid (Rands)	Commis sion Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands		Yrs/Months												
Municipality														
First National Bank 62776321293		6 months	Call a/c	No	Variable	5.2	0			5,500	35	(35)	–	5,500
Investec 1400093272500		6 months	Call a/c	No	Variable	5.35	0			600	4	(4)	–	600
Standard Bank 04846627-014		6 months	Call a/c	No	Variable	5.5	0			5,000	32	(5,032)	–	–
Absa Bank 92 7195 3033		6 months	Call a/c	No	Variable	4.3	0			5,599	30	(5,625)	–	4
Absa Bank - 9382218821		Monthly	Call a/c	No	Fixed	8.90%	0	n/a		78,865	550	(15,550)	–	63,865
Standard Bank 048466271-089		6 months	Call a/c	No	Variable	6.9	0			100	0	(100)	–	0
Nedbank 9002324052		6 months	Call a/c	Yes	Variable	5.25	0		2019/06/06	5,171	31	(5,202)	–	0
Absa Bank 20-6295-4443		12 months	Notice	Yes	Fixed	7.40%	0		2023/06/28	7,838	55	–	–	7,893
Standard Bank - 048466271-087		48 hours	Notice	No	Variable	8.80%	0		2023/08/31	35,000	245	(245)	–	35,000
Standard Bank 048466271-086		12 months	Notice	No	Fixed	9.03%	0		2023/11/10	(0)	–	–	–	(0)
Standard Bank 048466271-088		12 months	Notice	No	Fixed	970.00%	0		2024/11/10	21,436	162	–	–	21,597
Municipality sub-total										165,109		(31,792)	–	134,460

Table 12: Supporting Table SC5: Investment portfolio

Chart 14: Call investment deposits incl interest for the period ending 29 February 2024

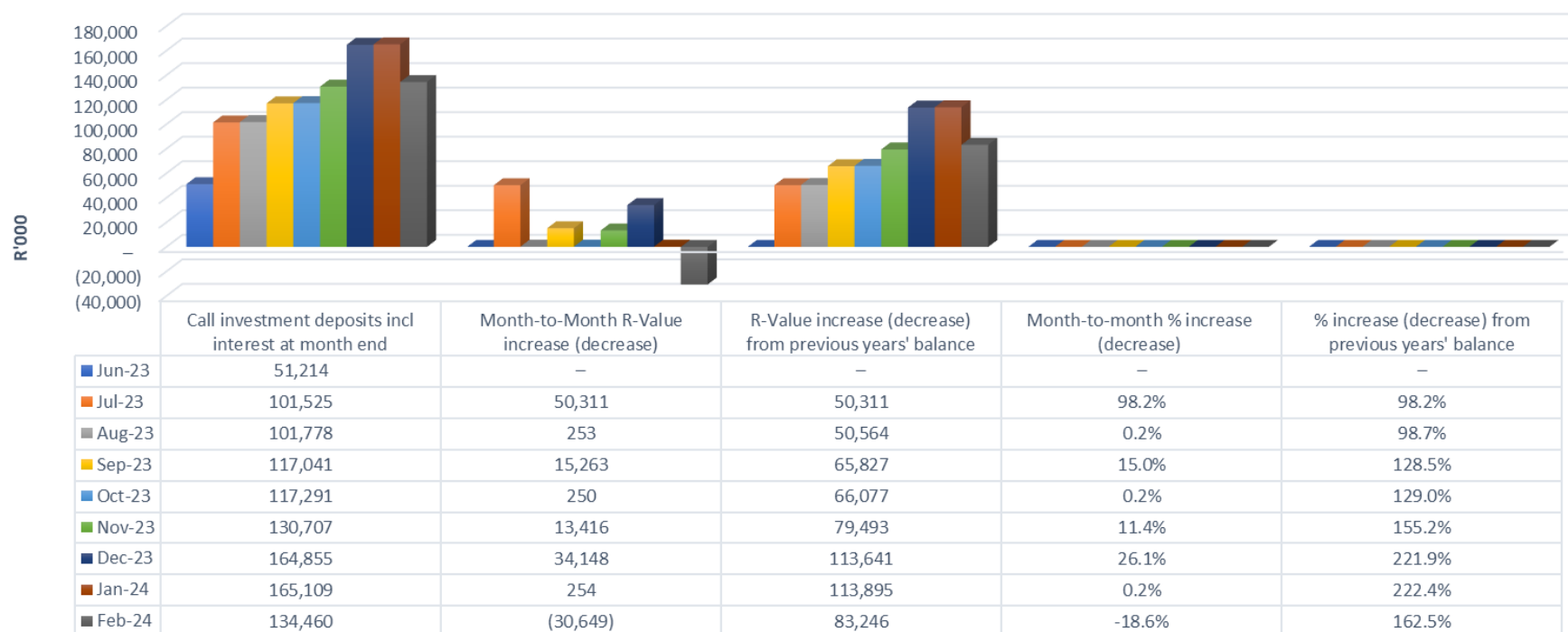


Chart 14: Call investment deposits at month-end

As indicated in the Chart 5 above from January 2024 to February 2024 investments incl interest decreased by R30,649 million or 18.6%, in respect of the month-to-month comparison. Investments increased by R83,246 million or 162.5% when compared to the previous years' balance of R51,214 million. Various commitments must be met monthly including Salaries, Bulk Electricity, Bulk Water in the billing period and capital expenditure. The majority of staff receive their annual bonuses in December of each year. Bi-annual long-term loan repayments, in December and June of each year. The non-charging of the basic charge for the 2018/19 financial year for domestic consumers also had a negative impact on the income from Sale of Electricity and thus negatively affecting the municipality's cash flow. The movement on investments should be monitored going forward and a concerted effort should be done to collect current and long outstanding debt. Capital and Operational expenditure overall, also needs to be reviewed and prioritised.

10. Allocation and grant receipts and expenditure

Operational and Capital Grants: Receipts

NC091 Sol Plaatje - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M08 February

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										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		248,673	273,621	272,937	401	195,849	182,277	13,572	7.4%	272,937
Energy Efficiency and Demand Side Management Grant		–	–	–	–	–	–	–	–	–
Equitable Share		239,158	263,135	263,135	–	190,119	175,423	14,696	8.4%	263,135
Expanded Public Works Programme Integrated Grant		3,959	3,286	3,102	–	3,286	2,154	1,132	52.6%	3,102
Infrastructure Skills Development Grant		3,856	5,500	5,000	–	1,923	3,567	(1,643)	-46.1%	5,000
Local Government Financial Management Grant		1,700	1,700	1,700	401	521	1,133	(612)	-54.0%	1,700
Municipal Disaster Relief Grant	3	–	–	–	–	–	–	–	–	–
Municipal Infrastructure Grant		–	–	–	–	–	–	–	–	–
Municipal Systems Improvement Grant		–	–	–	–	–	–	–	–	–
Other transfers and grants [insert description]		–	–	–	–	–	–	–	–	–
Provincial Government:		15,984	8,300	14,666	4,433	4,433	6,807	(2,374)	-34.9%	14,666
Capacity Building and Other Grants		9,684	8,300	9,066	4,433	4,433	5,687	(1,254)	-22.0%	9,066
Infrastructure Grant		6,300	–	5,600	–	–	1,120	(1,120)	-100.0%	5,600
Other transfers and grants [insert description]		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
European Union		–	–	–	–	–	–	–	–	–
Higher Education SA (HESA)		–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	5	264,657	281,921	287,603	4,834	200,282	189,084	11,199	5.9%	287,603
Capital Transfers and Grants										
National Government:		108,149	214,233	191,044	15,685	52,883	138,184	(85,301)	-61.7%	191,044
Energy Efficiency and Demand Side Management Grant		4,000	4,000	4,000	–	4,000	2,667	1,333	50.0%	4,000
Integrated National Electrification Programme Grant		24,400	48,026	35,837	1,235	6,398	29,580	(23,181)	-78.4%	35,837
Integrated Urban Development Grant		70,390	74,207	74,207	9,693	29,844	49,471	(19,627)	-39.7%	74,207
Municipal Infrastructure Grant		–	–	–	–	–	–	–	–	–
Neighbourhood Development Partnership Grant		–	2,000	2,000	–	–	1,333	(1,333)	-100.0%	2,000
Regional Bulk Infrastructure Grant		–	86,000	75,000	4,756	12,641	55,133	(42,493)	-77.1%	75,000
Water Services Infrastructure Grant		9,359	–	–	–	–	–	–	–	–
Provincial Government:		3,387	–	–	–	–	–	–	–	–
Infrastructure Grant		3,387	–	–	–	–	–	–	–	–
District Municipality:		–	–	6,000	–	–	1,200	(1,200)	-100.0%	6,000
Specify (Add grant description)		–	–	6,000	–	–	1,200	(1,200)	-100.0%	6,000
Other grant providers:		–	–	18,850	–	–	3,770	(3,770)	-100.0%	18,850
[insert description]		–	–	18,850	–	–	3,770	(3,770)	-100.0%	18,850
European Union		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	5	111,536	214,233	215,894	15,685	52,883	143,154	(90,271)	-63.1%	215,894
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	376,193	496,154	503,497	20,519	253,165	332,238	(79,072)	-23.8%	503,497

Table 13: Supporting Table SC6: Transfers and grant receipts

Operational grant monies received for the month under review.

EPWP – R802 thousand

Library grant – R4,433 million

No Capital grant monies were received for the month under review.

There are some mapping errors pertaining to operational and capital grants. This was brought under attention of our financial system vendor and the matter is being investigated to find a solution. Capital grants specifically is allocated to the Statement of Financial Position as receipts and is not mapped to the C-schedule. However, on a monthly basis journals are processed to recognize capital grant receipts in the Statement of Financial Performance, once all conditions of the grant have been met.

Operational and Capital Grants: Expenditure

NC091 Sol Plaatje - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M08 February

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										
Operating expenditure of Transfers and Grants										
National Government:		123,170	141,242	233,730	40,361	161,128	150,109	11,019	7.3%	233,730
Equitable Share		112,671	130,756	223,991	39,818	159,067	143,265	15,802	11.0%	223,991
Expanded Public Works Programme Integrated Grant		4,943	3,286	3,103	46	251	2,154	(1,903)	-88.3%	3,103
Infrastructure Skills Development Grant		3,856	5,500	4,936	96	1,289	3,554	(2,265)	-63.7%	4,936
Local Government Financial Management Grant		1,700	1,700	1,700	401	521	1,136	(614)	-54.1%	1,700
Municipal Disaster Relief Grant		–	–	–	–	–	–	–	–	–
Provincial Government:		11,438	8,300	14,633	1,151	8,833	7,655	1,178	15.4%	14,633
Capacity Building and Other Grants		8,500	8,300	9,073	1,043	7,012	5,695	1,317	23.1%	9,073
Infrastructure Grant		2,938	–	5,560	108	1,821	1,960	(139)	-7.1%	5,560
District Municipality:		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
European Union		–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants:		134,609	149,542	248,363	41,512	169,961	157,765	12,197	7.7%	248,363
Capital expenditure of Transfers and Grants										
National Government:		96,392	214,233	191,044	15,685	54,843	138,184	(83,341)	-60.3%	191,044
Energy Efficiency and Demand Side Management Grant		4,000	4,000	4,000	–	3,943	2,667	1,277	47.9%	4,000
Integrated National Electrification Programme Grant		22,829	48,026	35,837	1,235	6,715	29,580	(22,864)	-77.3%	35,837
Integrated Urban Development Grant		61,424	74,207	74,207	9,693	31,544	49,471	(17,927)	-36.2%	74,207
Municipal Infrastructure Grant		–	–	–	–	–	–	–	–	–
Neighbourhood Development Partnership Grant		–	2,000	2,000	–	–	1,333	(1,333)	-100.0%	2,000
Regional Bulk Infrastructure Grant		–	86,000	75,000	4,756	12,641	55,133	(42,493)	-77.1%	75,000
Water Services Infrastructure Grant		8,138	–	–	–	–	–	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	6,000	–	–	1,200	(1,200)	-100.0%	6,000
Specify (Add grant description)		–	–	6,000	–	–	1,200	(1,200)	-100.0%	6,000
Other grant providers:		–	–	18,850	9,604	9,604	3,770	5,834	154.8%	18,850
European Union		–	–	18,850	9,604	9,604	3,770	5,834	154.8%	18,850
Total capital expenditure of Transfers and Grants		96,392	214,233	215,894	25,289	64,448	143,154	(78,707)	-55.0%	215,894
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		231,000	363,775	464,257	66,801	234,409	300,919	(66,510)	-22.1%	464,257

Table 14: Supporting Table SC7(1): Transfers and grant expenditure

The municipality is experiencing huge challenges in respect of funding for the EPWP which is not sufficient and this is putting strain on the municipality's finances. The total YTD expenditure is R19,498 million. For reporting purposes to NT and the Dept of Public Works, the municipality is only expected to report up until the allocation amount. The current years' gazetted adjusted allocation for the EPWP is R3,102 million. In addition to this, the municipality budgeted R15,000 million for this programme.

Description (R'000)	Original Budget	Prelim Adjustment Budget	Monthly Actual	YTD Actual	Commitments	% Spent Original	% Spent Adj Budget
INEP (INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT)	48,026	35,837	1,235	6,715	7,999	14.0%	18.7%
IUDG (INTEGRATED URBAN DEVELOPMENT GRANT)	74,207	74,207	9,693	31,544	7,059	42.5%	42.5%
EEDSM (ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT)	4,000	4,000	–	3,943	–	98.6%	98.6%
NDPG (NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT)	2,000	2,000	–	–	–	0.0%	0.0%
RBIG (REGIONAL BULK INFRASTRUCTURE GRANT)	86,000	75,000	4,756	12,641	–	14.7%	16.9%
EUROPEAN UNION	–	18,850	9,604	9,604	–	–	51.0%
FRANCES BAARD DISTRICT MUNICIPALITY	–	6,000	–	–	–	–	0.0%
Grand Total	214,233	215,894	25,289	64,448	15,057	30.1%	29.9%

Table 15: Summary of expenditure per grant

As indicated in Table 15 above, the YTD grant expenditure amounts to R64,448 million or 29.9% spent against the Adjusted capital grant allocation of R215,894 million. Capex is usually slow for the first quarter mainly as a result of finalization of procurement processes and/or work still in progress. It remains concerning that YTD capital expenditure is so low. It should be noted that grant expenditure excludes VAT which will be recognized at year-end in the Statement of Financial performance, when all conditions of the grant have been met. Capex also excludes Commitments.

Please refer to Section 4.3 in the Executive Summary which highlights some of the factors that negatively influences the delay in grant expenditure.

Rollover Grants: Expenditure

The rollover request for the 2022/23 financial year was declined as per the letter received from National Treasury. Below is an extract of the rollover letter.

“Your request to roll over the unspent amount of **R7.2 million** into the 2023/24 financial year by your municipality is not approved in terms of 21(2) of the 2022 Division of Revenue Amendment Act, (Act No. 15 of 2022) (DoRAA). The rejection is with respect to the Infrastructure Skills Development Grant (R1.6 million) (ISDG) and Water Services Infrastructure Grant (R5.6 million) (WSIG).

The National Treasury in assessing your roll over request used the criteria set out in Circular No. 123 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) as a guide for the consideration of the roll over submission by your municipality.

The decision to reject your roll over request is based on the following reasons:

- The municipality did not submit supporting documents for the ISDG as outlined in the circular, i.e., copies of appointment letters of contractors and tender documents; and
- With regards to WSIG, the contractor left site as per your letter.

Your municipality is reminded that the Municipal Council does not have the legal authority to decide on the use of Conditional Grant transfers from National Government outside of the legal framework set out in the annual Division of Revenue Act and its various gazettes.”

Table 16: Supporting Table SC7(2) - Expenditure against approved rollovers

Table 16 is not populated because the municipality’s rollover request was declined.

Stopping of allocations for 2023/24 financial year

Stopping of funds due to under performance/non-compliance

“National Treasury hereby informs you of the intention to stop an amount of **R10.8 million** from your 2023/24 IUDG allocation of **R74.2 million**, to stop an amount of **R35 million** from your 2023/24 RBIG allocation of **R86 million**, to stop an amount of **R8.7 million** from your 2023/24 INEP allocation of **R35.8 million** and to stop your 2023/24 NDPG allocation of **R2 million** in terms of section 18 of the 2023 DoRA. This decision will not in any way affect future allocations to your municipality.”

The municipality provided a written response to National Treasury and is awaiting feedback in this regard. It is a major concern that funds that was supposed to be transferred during February month was not done. A follow-up email has been sent to National Treasury to provide feedback as this will have serious implications for the implementation of projects for the current year.

11. Councillor and board member allowances and employee benefits

NC091 Sol Plaatje - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M08 February

Summary of Employee and Councillor remuneration	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		A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages								-		
Pension and UIF Contributions		882	-	1,098	85	725	220	506	230%	1,098
Medical Aid Contributions		425	-	489	49	334	98	237	242%	489
Motor Vehicle Allowance								-		
Cellphone Allowance		3,040	2,938	2,954	251	1,974	1,962	13	1%	2,954
Housing Allowances		-	-	-	-	-	-	-		-
Other benefits and allowances		27,876	32,621	31,018	2,383	20,654	21,427	(773)	-4%	31,018
Sub Total - Councillors		32,224	35,559	35,559	2,768	23,687	23,706	(19)	0%	35,559
% increase	4		10.3%	10.3%						10.3%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		6,702	8,158	8,158	342	3,509	5,439	(1,930)	-35%	8,158
Pension and UIF Contributions		969	1,558	1,558	32	307	1,039	(732)	-70%	1,558
Medical Aid Contributions		233	215	215	14	136	143	(7)	-5%	215
Overtime								-		
Performance Bonus								-		
Motor Vehicle Allowance		1,534	1,985	1,985	86	722	1,324	(602)	-45%	1,985
Cellphone Allowance		132	202	202	8	67	134	(67)	-50%	202
Housing Allowances		28	26	26	2	15	17	(2)	-11%	26
Other benefits and allowances								-		
Payments in lieu of leave								-		
Long service awards		44	46	46	1	9	31	(22)	-70%	46
Post-retirement benefit obligations	2							-		
Entertainment										
Scarcity										
Acting and post related allowance										
In kind benefits										
Sub Total - Senior Managers of Municipality		9,643	12,190	12,190	484	4,766	8,127	(3,361)	-41%	12,190
% increase	4		26.4%	26.4%						26.4%
Other Municipal Staff										
Basic Salaries and Wages		433,826	475,973	464,937	39,540	306,533	310,911	(4,378)	-1%	464,937
Pension and UIF Contributions		79,050	91,654	91,654	6,988	56,087	61,103	(5,017)	-8%	91,654
Medical Aid Contributions		50,925	59,955	59,955	4,924	43,096	39,970	3,126	8%	59,955
Overtime		69,383	47,280	69,467	6,128	54,104	35,958	18,147	50%	69,467
Performance Bonus		30,249	36,505	36,505	1,841	24,612	24,337	276	1%	36,505
Motor Vehicle Allowance		42,089	50,649	50,649	3,820	29,187	33,766	(4,579)	-14%	50,649
Cellphone Allowance		1,456	2,054	2,054	133	1,095	1,370	(274)	-20%	2,054
Housing Allowances		2,737	2,866	2,866	243	1,948	1,911	37	2%	2,866
Other benefits and allowances		20,261	19,589	37,168	2,594	27,957	20,773	7,184	35%	37,168
Payments in lieu of leave		14,403	15,000	15,000	834	11,705	10,000	1,705	17%	15,000
Long service awards		27,890	26,922	26,922	2,576	20,726	17,948	2,778	15%	26,922
Post-retirement benefit obligations	2	39,393	41,000	41,000	-	-	27,333	(27,333)	-100%	41,000
Entertainment								-		
Scarcity								-		
Acting and post related allowance								-		
In kind benefits								-		
Sub Total - Other Municipal Staff		811,663	869,447	898,176	69,620	577,050	585,380	(8,330)	-1%	898,176
% increase	4		7.1%	10.7%						10.7%
Total Parent Municipality		853,530	917,196	945,925	72,873	605,503	617,213	(11,710)	-2%	945,925
TOTAL SALARY, ALLOWANCES & BENEFITS		853,530	917,196	945,925	72,873	605,503	617,213	(11,710)	-2%	945,925
% increase	4		7.5%	10.8%						10.8%
TOTAL MANAGERS AND STAFF		821,306	881,637	910,366	70,105	581,815	593,507	(11,691)	-2%	910,366

Table 17: Supporting Table SC8: Councillor and staff benefits

As depicted in Table 17 above, Employee related costs is satisfactory and showing a variance of minus 2%. Post-retirement benefit obligations will be finalized as part of year-end procedures. It should be noted that the disclosure under Performance bonus, is the annual bonuses or 13th cheques that is budgeted for and paid out to employees. This is not subject to any performance appraisal. Individuals do act on positions from time to time, but all such acting allowances forms part of the basic salary line item. Councillors Remuneration is showing a satisfactory variance of close to 0% when compared to the YTD Budget. The gazette on the Determination of Upper limits

of salaries, allowances and benefits of different members of municipal councils was issued and implemented accordingly.

Management needs to do more to address the issues on Overtime which is higher than the ideal IYM percentage. For reporting purposes on Overtime, the municipality is only concentrating on (Overtime Structured and Non-structured). However, as per NT mapping Night-shift allowance and Payments - Shift Add Remuneration is also mapped to Overtime.

The Overtime controls is not effective and the desired outcome to remain within budget, was not achieved for 2022/23 financial year. The same trend transpired for the current year. Overtime can be monitored by implementing more stringent control measures. The municipality should also ensure that critical positions to compliment capacity on the ground is expedited and filled with qualified personnel. The lack of capacity in certain departments, like Water services and the severe service delivery challenges is negatively impacting on the management of Overtime expenditure. Overtime hours were limited to 30 hours per month within most departments, but this control has been abolished, negatively contributing to the overall Overtime expenditure. The Overtime policy was developed and approved by Council. There are some challenges with the implementation, especially pertaining to time-off in lieu of Overtime remuneration.

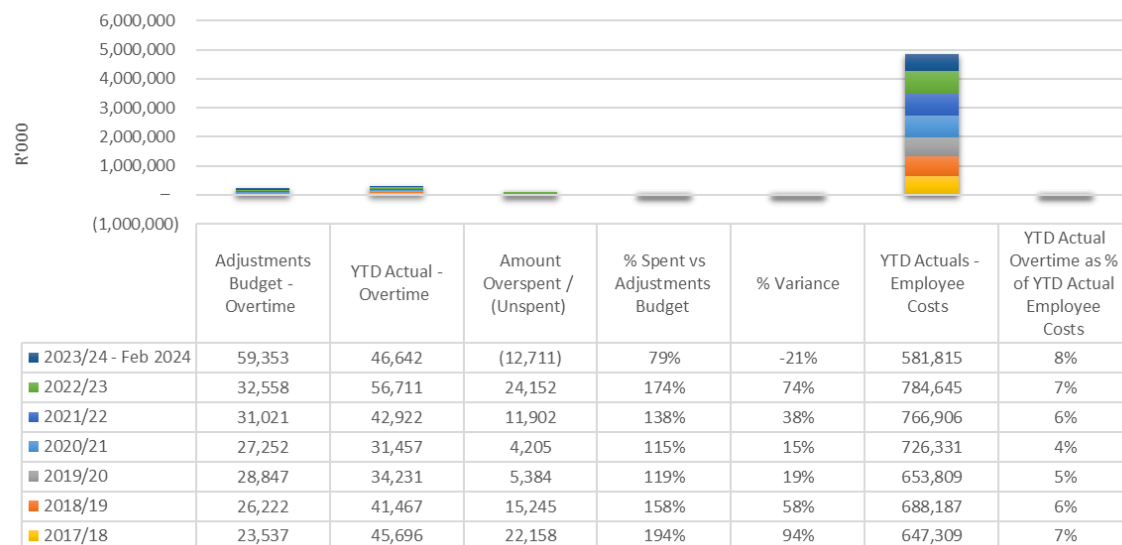
And indicated in Table 21 below, is the YTD Overtime expenditure per line item and also per Directorate as at end of February 2024.

Description per line item (Amount in Rand)	Sum of Original Budget	Sum of Adjustments Budget	Sum of Monthly Actual	Sum of YTD Actual	Sum of % Spent Adjustments Budget
MS: OVERTIME - NON STRUCTURED	28,662,000	56,368,700	5,073,413	45,059,660	80%
MS: OVERTIME - STRUCTURED	8,504,033	2,984,033	189,437	1,582,211	53%
Overtime as at 29 February 2024	37,166,033	59,352,733	5,262,850	46,641,871	79%
Directorate (Amount in Rand)	Sum of Original Budget	Sum of Adjustments Budget	Sum of Monthly Actual	Sum of YTD Actual	Sum of % Spent Adjustments Budget
20-EXECUTIVE AND COUNCIL	282,000	694,000	201,257	595,109	86%
21-MUNICIPAL AND GENERAL	-	-	-	-	#DIV/0!
22-MUNICIPAL MANAGER	-	43,000	-	25,058	58%
23-CORPORATE SERVICES	1,870,000	4,552,000	189,945	2,551,478	56%
24-COMMUNITY SERVICES	14,740,033	17,799,533	1,582,369	13,240,356	74%
26-FINANCIAL SERVICES	521,000	2,569,000	204,611	1,694,669	66%
27-STRATEGY, ECONOMIC DEVELOPMENT & PLANNING	747,000	1,530,000	30,016	919,892	60%
28-INFRASTRUCTURE SERVICES	19,006,000	32,165,200	3,054,653	27,615,310	86%
Overtime as at 29 February 2024	37,166,033	59,352,733	5,262,850	46,641,871	79%

Table 18: Current YTD Overtime expenditure excl Night-shift allowance

Overtime was capped at 30 hours across most units within the municipality, but this has since been abolished. The YTD Overtime expenditure is 79% spent versus the Adjusted budget, resulting in a negative variance of 12.3% for the period under review, when compared to the ideal IYM percentage of 66.67%.

Chart 14.1: Overtime Actual vs Budget - 2017/18 to 2023/24



Indicated in Chart 14.1, is the actual Overtime versus Budget from 2017/18 to 2023/24 financial year, disclosing the percentage spent and the amount overspent/unspent per financial year. The chart also articulates the actual Overtime as a percentage of Total Employee costs for the same period.

Indicated in Chart 14.2 is the monthly and annual Overtime comparison from July 2018 to February 2024. There has been a substantial decrease in Overtime expenditure from 2018/19 to 2020/21. As reiterated, controls to curb Overtime is no longer in effect and the YTD actual for 2022/23 financial year was R56,711 million. Serious remedial action will have to be implemented to reduce Overtime expenditure.

Chart 14.1: Overtime Actual vs Budget

Chart 14.2: Monthly and Annual Overtime Comparison - Jul 2018 to Feb 2024

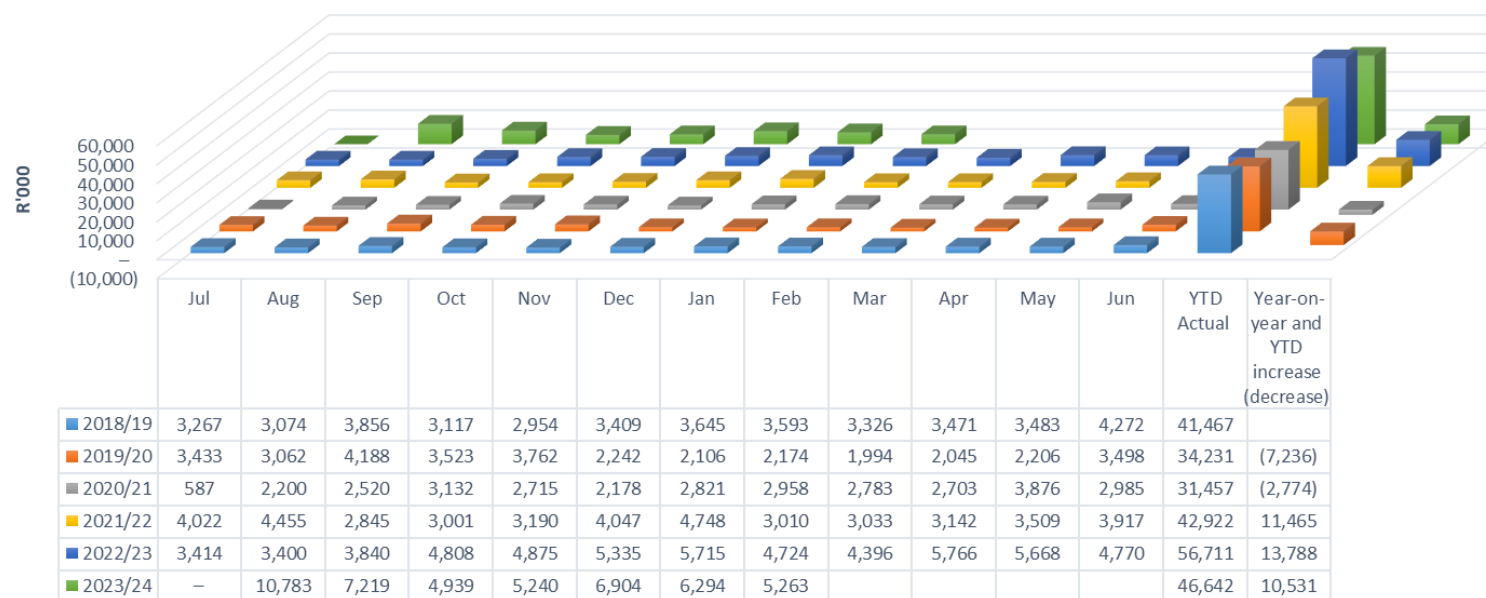


Chart 14.2: Monthly and Annual Overtime Comparison

The BTO office recommended the following precautionary measures.

- The monitoring of daily tasks/assignments. This means that work that can be done during normal working hours should be monitored closely. Ideally, put emphasis on performance and especially the quality of work done.
- Finding means to actually verify work performed, even if this means that for the first few questionable overtime work that managers/supervisors actually go out to the site, if possible.
- Using the vehicle tracking reports to ascertain the timespan at a particular site.
- Making sure that the hours claimed are legitimate and is actually consistent and correlates to the normal estimated time to complete a job of a similar nature.
- Request a detailed description of the nature of work done and insist on the exact site where work was performed being specified.
- Ensure that managers remain vigilant and question hours claimed and not just sign Overtime forms. We believe that this will make workers more aware that they cannot just claim hours like they did in the past.
- Stopping planned Overtime, unless it is to avoid major shutdowns or service interruptions.
- The adherence to the Overtime Policy stipulations, is imperative in order to address the issues on overtime.

Listed below are the challenges with regard to Overtime which was identified during the 2012/13 MTREF.

- Ensuring accountability across all directorates and ensuring that Executive directors, Line Managers and Supervisors take full responsibility.
- Identify and investigate possible abuse and alleged fraudulent allegations and taking disciplinary action, where applicable.
- Ensuring the compliance and adherence to applicable laws and regulations and internal policies.
- Approval of Overtime prior to it being incurred.
- Inability to manage overtime proactively.
- To remain within the budgeted Overtime.
- Curbing / Limiting / Curtailing expenditure on Overtime.
- Monitoring expenditure on Overtime.
- Utilizing the available workforce optimally.
- Unduly compromising or hampering service delivery, which basically means that work that could have been done during normal hours is deliberately delayed so that work can be finalized after hours.
- Implementing an alternative method of compensation.
- Addressing the immediate infrastructure maintenance requirements, specifically addressing preventative maintenance.
- Ensuring and enhancing the lifespan of Property, plant and equipment.
- Improve both the personal productivity of individual employees and the overall productivity of departments and the entire municipal system.
- Difficult to track departmental overtime on more than a monthly or even quarterly basis, by then it's too late to take meaningful action to minimize overtime costs.

12. Material variances to the service delivery and budget implementation plan

Material variances pertaining to financial performance are primarily addressed in the Executive summary under Sections 4.1 to 4.3 or emphasised elsewhere in this Monthly Budget Statement. Any other material variances to the SDBIP will be included in the quarterly Section 52 (d) report for the period ending 31 March 2024.

13. Capital programme performance

Please refer to notes on Capital Expenditure in the Executive Summary. Section 4.3.

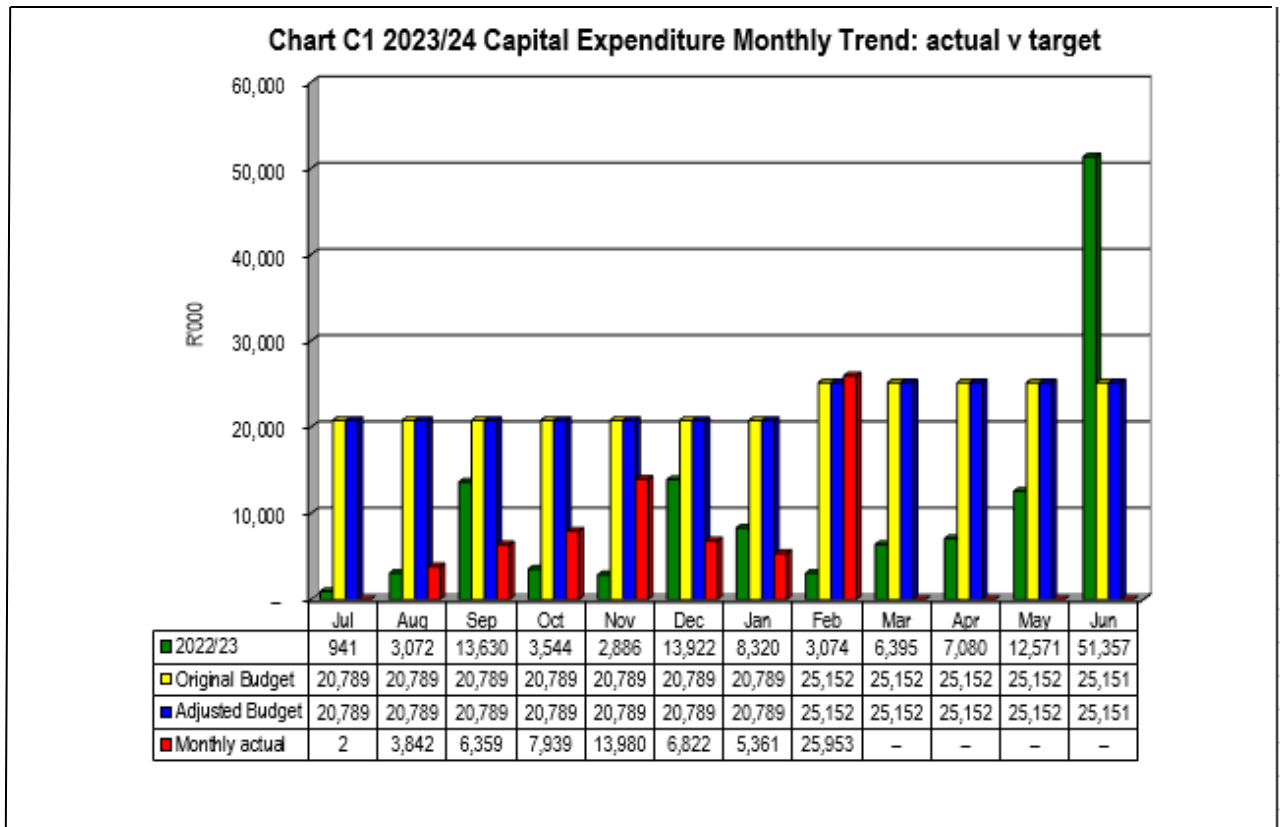


Chart 15: Capital Expenditure Monthly Trend: actual v target

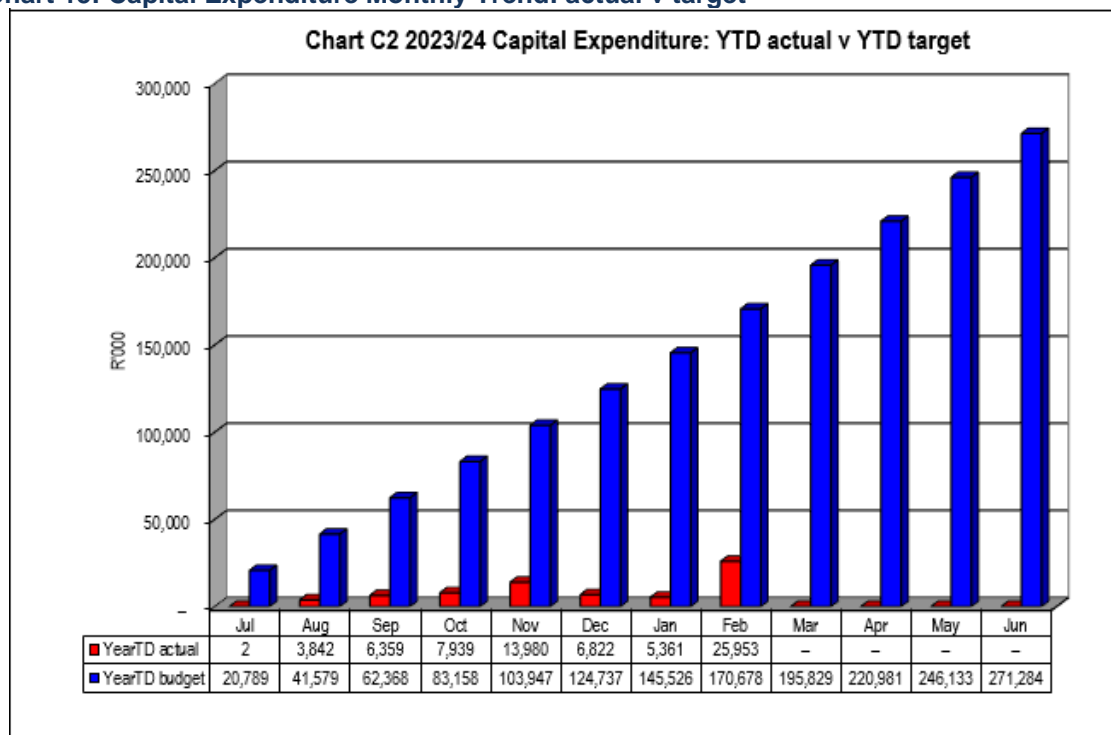


Chart 16: Capital Expenditure: YTD actual vs YTD target

Projects per funding source (R'000)	Sum of Original Budget	Sum of Adjusted Budget	Sum of Monthly Actual	Sum of YTD Actual	Sum of Commitment	Sum of % Original Budget	Sum of % Adjusted Budget
INEP (INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT)	48,026	35,837	1,235	6,715	7,999	13.98%	
ELECTRIFIC LERATO PARK LINK SERV NETWORK	7,900	7,900	-	-	-	0.00%	
ELECTRIFICATION LETABO PARK	12,680	12,680	1,235	6,115	-	48.23%	
ELECTRIFICATION WITDAM -138	900	-	-	-	-	0.00%	
RONALD'S VLEI SWITCH HOUSE NO.1	1,500	1,500	-	600	119	40.01%	
UPGRADE HADISON PARK 66/11 KV SUBSTATION	23,546	11,357	-	-	7,678	0.00%	
ASHBURNHAM/COLVILLE UPGRADES	1,500	1,500	-	-	201	0.00%	
ELECTRIFICATION OF COLVILLE	-	900	-	-	-		
INTERNALLY GENERATED FUNDS	35,240	55,390	664	5,810	9,144	16.49%	
ACQ-COMPUTER EQUIPMENT REPLACEMENT	4,500	6,200	25	93	74	2.07%	
ACQ-FLEET REPLACEMENT	5,000	7,110	-	-	3,948	0.00%	
ACQ-FURNITURE AND OFFICE EQUIP REPLACEM	3,000	3,000	-	-	-	0.00%	
CAPITAL SPARES-ACQ-PREPAID METERS	2,000	2,000	-	174	-	8.69%	
DSITRIBUTION-ACQ-WAT METER REPLACEMENT	2,000	2,000	-	-	-	0.00%	
EMERGENCY LEAK REPAIR ON 6 MAJOR LEAKS	169	-	-	-	-	0.00%	
EMERGENCY METER INSTALLATIONS (PHASE 1)	6,225	15,615	516	4,366	-	70.13%	
MR LEAK AND SLEAK DATA SYSTEM	880	478	-	-	-	0.00%	
NEW WTP MAJOR REFURBISH&AND BUILD WORKS	1,306	-	-	-	-	0.00%	
NEW WTW FILTER REFURBISH&BACKWASH SYSTEM	502	-	-	-	-	0.00%	
OLD WTP MAJOR REFURBISH AND BUILD WORKS	468	-	-	-	-	0.00%	
PIPE CONDITION ASSESS AND CATHOD PROTECT	1,849	1,211	59	181	-	9.77%	
SMARTBALL LEAK DETECTION	5,848	835	-	725	5,123	12.40%	
WEST BYPASS LEAK REPAIRS AND REFURBISH	293	-	-	-	-	0.00%	
WSDP DEVELOPMENT	1,200	601	64	271	-	22.61%	
LERATO PARK SEWER UPGR DOWNSTREAM INFRA	-	7,800	-	-	-		
CARTERS GLEN SEWER PUMP STATION	-	8,540	-	-	-		
IUDG (INTEGRATED URBAN DEVELOPMENT GRANT)	74,207	74,207	9,693	31,544	7,059	42.51%	
P-CIER RDS ROADS	20,000	20,000	3,998	9,072	1,060	45.36%	
PHDA PLANNING & SURVEYING	10,000	8,225	1,812	1,812	-	18.12%	
TOWNSHIP ESTABLISHMENT VARIOUS WARDS	5,000	5,000	594	2,277	-	45.54%	
UPGRADE GRAVEL ROADS WARDS VARIOUS	20,000	20,000	3,290	14,155	4,284	70.78%	
WATER PIPES REFURB PROG VARIOUS WARDS	19,207	19,207	-	-	-	0.00%	
LERATOPARK SEWER UPGRAD DOWNSTREAM INFRA	-	-	-	4,228	1,715		
INDUSTRIAL HUB PRECINCT	-	1,775	-	-	-		
EEDSM (ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT)	4,000	4,000	-	3,943	-	98.58%	
EEDSM PROJECTS	4,000	4,000	-	3,943	-	98.58%	
NDPG (NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT)	2,000	2,000	-	-	-	0.00%	
ACQ STORMWAT PROJ-STORWAT CHANNEL GALASH	2,000	-	-	-	-	0.00%	
REDEVELOPMENT OF RC ELLIOT HALL	-	2,000	-	-	-		
RBIG (REGIONAL BULK INFRASTRUCTURE GRANT)	86,000	75,000	4,756	12,641	-	14.70%	
EAST BYPASS REPLACE OF CORRODE10KM LINE	5,069	-	-	-	-	0.00%	
EASTERN BYPASS REPAIR COATING AND REFURB	2,820	-	-	-	-	0.00%	
KBY BULK METERS & PRESSURE MANAGEMENT	767	3,131	71	538	-	70.09%	
KBY NETWORK LEAK DETECTION & REPAIR PH 1	4,532	3,126	-	63	-	1.39%	
KBY NETWORK LEAK DETECTION & REPAIR PH 2	4,843	2,306	-	-	-	0.00%	
NEW WTP CLHORINE & DOSING WORKS UPGRADE	10,628	29,473	2,361	3,511	-	33.03%	
NEW WTW FILTER REFURBISH&BACKWASH SYSTEM	-	6,269	-	-	-		
NEWTOWN RESERVOIR EMERGENCY LEAK REPAIRS	4,725	1,679	-	-	-	0.00%	
OLD WTP CLHORINE & DOSING WORKS UPGRADE	16,598	5,374	1,372	3,175	-	19.13%	
POWER; ABSTRACTION & PUMPSTATION REPAIRS	9,487	7,096	369	839	-	8.84%	
PROJECT MANAGEMENT	3,230	-	405	3,014	-	93.31%	
RITCHIE SUBZONE SMART METER INSTALL	107	-	-	-	-	0.00%	
RIVERTON TO MIDSTATION BULK PIPELINE REP	3,741	-	-	-	-	0.00%	
SMARTBALL SURVEY PRIORITY LEAK REPAIRS	12,955	9,447	178	1,207	-	9.32%	
WEST BYPASS REPLACE OF CORRODED SECTION	579	-	-	-	-	0.00%	
WTW OHS & SECURITY MANAGEMENT	5,920	4,759	-	294	-	4.97%	
RITCHIE WTW UPGRADE AND BULK PIPELINE	-	2,340	-	-	-		
EUROPEAN UNION	-	18,850	9,604	9,604	-		
EUROPEAN UNION BEAR PROJECT	-	18,850	9,604	9,604	-		
FRANCES BAARD DISTRICT MUNICIPALITY	-	6,000	-	-	-		
RESEALING OF ROADS FBDM	-	6,000	-	-	-		
Grand Total	249,473	271,284	25,953	70,258	24,202	28.16%	

Table 19: Detailed capital expenditure report

Indicated in Table 19 above, is a list of projects with the applicable funding source compared to the Adjusted budget. The total capex is normally slow during the start of the financial year. However, capital expenditure is extremely poor compared to prior years for the same period. Urgent intervention from management is required to remedy the situation. The actual monthly expenditure for February 2024 amounted to R25,953 million. The total YTD Capex amounts to R70,258 million. Please note that Commitments amounting to R24,202 million is excluded from the YTD actual.

Sol Plaatje (NC091): Monthly Budget Statement: S71 Monthly Report: February 2024

Capital expenditure is also exclusive of VAT. Overall spending on grants is extremely low. The percentage expenditure on IUDG (42.51%) and EEDSM is 98.58%, whilst INEP is 18.74% spent, RBIG 16.85% spent and NDPG is showing zero percent spent. Spending on Internally generated funds is also 10.49% spent. Implementation of projects is normally delayed due to the finalization of procurement processes. Payment certificates are settled once work is completed. Capex for the first quarter is normally slow for this reason, in that commencement of procurement processes is not aligned to the budget approval and specifications are not done early so that it can be advertised timeously.

14. Other supporting documents

Additional information or supporting documentation for February 2024. Municipal Debt Relief Supplementary Guide to MFMA Circular No. 124.

15. Conclusion

This report meets the MFMA requirement for the Executive Mayor to receive the Section 71 'Monthly Budget Statement' within 10 working days after the end of the month.

Communication

In compliance to legislative requirements (Section 71 of the MFMA), this document is provided to all stakeholders by placing it on the Sol Plaatje municipal website: www.solplaatje.org.za or can be viewed or downloaded from the following link:

<http://www.solplaatje.org.za/Aboutus/Pages/Documents.aspx>

16. Annexures

Annexure A – Prescribed Tables in terms of Municipal Budget and Reporting Regulations GG 32141 of 17 April 2009

NC091 Sol Plaatje - Table C1 Monthly Budget Statement Summary - M08 February

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	610,991	660,893	660,893	45,060	500,804	440,596	60,208	14%	660,893
Service charges	1,182,667	1,517,256	1,450,586	88,188	880,417	998,170	(117,753)	-12%	1,450,586
Investment revenue	8,550	–	–	–	–	–	–		–
Transfers and subsidies - Operational	8,550	7,000	9,500	1,717	7,841	5,167	2,675	52%	9,500
Other own revenue	612,144	534,455	677,687	47,340	469,885	384,949	84,936	22%	–
Total Revenue (excluding capital transfers and contributions)	2,422,901	2,719,604	2,798,666	182,306	1,858,948	1,828,881	30,067	2%	2,798,666
Employee costs	821,306	881,637	910,366	70,105	581,815	593,507	(11,691)		910,366
Remuneration of Councillors	32,224	35,559	35,559	2,768	23,687	23,706	(19)		35,559
Depreciation and amortisation	71,830	86,650	86,650	–	–	57,767	(57,767)		86,650
Interest	113,955	19,495	20,055	(5)	10,007	13,108	(3,102)		20,055
Inventory consumed and bulk purchases	937,060	1,090,900	1,127,055	73,910	717,431	734,523	(17,092)		1,127,055
Transfers and subsidies	2,599	4,560	3,560	–	2,422	2,840	(418)	-15%	3,560
Other expenditure	617,008	572,452	599,666	92,942	411,373	387,080	24,293	6%	599,666
Total Expenditure	2,595,982	2,691,252	2,782,911	239,721	1,746,735	1,812,531	(65,795)	-4%	2,782,911
Surplus/(Deficit)	(173,081)	28,351	15,755	(57,416)	112,213	16,351	95,862	586%	15,755
Transfers and subsidies - capital (monetary)	108,149	214,233	215,894	15,685	52,883	143,154	####	-63%	215,894
Transfers and subsidies - capital (in-kind)	3,387	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	(61,545)	242,584	231,649	(41,731)	165,096	159,505	5,591	4%	231,649
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	(61,545)	242,584	231,649	(41,731)	165,096	159,505	5,591	4%	231,649
Capital expenditure & funds sources									
Capital expenditure	126,016	249,473	271,284	25,953	70,258	170,678	(100,420)	-59%	271,284
Capital transfers recognised	96,392	214,233	215,894	25,289	64,448	143,154	(78,707)	-55%	215,894
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	29,624	35,240	55,390	664	5,810	27,523	(21,714)	-79%	55,390
Total sources of capital funds	126,016	249,473	271,284	25,953	70,258	170,678	(100,420)	-59%	271,284
Financial position									
Total current assets	2,304,408	3,472,014	3,449,123		2,572,228				3,449,123
Total non current assets	2,265,500	2,466,074	2,487,885		2,335,757				2,487,885
Total current liabilities	1,457,966	1,151,431	1,161,286		1,635,233				1,161,286
Total non current liabilities	416,743	443,824	443,824		410,208				443,824
Community wealth/Equity	2,694,412	4,342,835	4,331,904		2,862,545				4,331,904
Cash flows									
Net cash from (used) operating	(940,714)	238,844	158,443	(22,463)	115,911	105,628	(10,283)	-10%	158,443
Net cash from (used) investing	(126,016)	(249,473)	(270,184)	(25,953)	(69,198)	(180,123)	(110,925)	62%	(270,184)
Net cash from (used) financing	–	(13,351)	(13,351)	320	1,569	(8,901)	(10,469)	118%	(13,351)
Cash/cash equivalents at the month/year end	(869,139)	174,327	73,214	–	157,818	114,912	(42,906)	-37%	(15,556)
Debtors & creditors analysis	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
Debtors Age Analysis									
Total By Income Source	209,260	95,466	84,635	82,474	77,164	79,782	468,139	#####	3,731,931
Creditors Age Analysis									
Total Creditors	141,401	22,263	4,046	25,409	89	31,038	204,430	752,744	1,181,421

NC091 Sol Plaatje - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M08 February

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									
Revenue - Functional										
<i>Governance and administration</i>		1,180,153	1,271,802	1,291,869	84,798	865,132	851,881	13,251	2%	1,291,869
Executive and council		503,511	580,455	593,022	27,581	333,930	389,483	(55,554)	-14%	593,022
Finance and administration		676,642	691,347	698,847	57,217	531,203	462,398	68,805	15%	698,847
Internal audit		-	-	-	-	-	-	-		-
<i>Community and public safety</i>		31,035	41,568	47,334	7,736	28,087	28,865	(778)	-3%	47,334
Community and social services		11,662	11,782	12,348	4,856	7,190	7,968	(777)	-10%	12,348
Sport and recreation		2,428	2,265	2,265	501	1,950	1,510	440	29%	2,265
Public safety		412	750	750	24	162	500	(338)	-68%	750
Housing		12,972	26,701	28,101	2,353	18,717	18,081	636	4%	28,101
Health		3,560	70	3,870	3	67	807	(739)	-92%	3,870
<i>Economic and environmental services</i>		22,120	16,520	36,420	585	8,416	14,993	(6,578)	-44%	36,420
Planning and development		5,342	5,595	25,495	363	5,687	7,710	(2,023)	-26%	25,495
Road transport		16,779	10,925	10,925	222	2,728	7,283	(4,555)	-63%	10,925
Environmental protection		-	-	-	-	-	-	-		-
<i>Trading services</i>		1,291,009	1,594,737	1,629,727	104,688	1,002,789	1,070,156	(67,366)	-6%	1,629,727
Energy sources		773,385	1,052,252	1,056,582	57,428	614,085	702,367	(88,282)	-13%	1,056,582
Water management		328,261	364,714	373,694	28,648	243,229	244,939	(1,710)	-1%	373,694
Waste water management		108,190	101,358	116,048	10,426	81,985	70,510	11,475	16%	116,048
Waste management		81,173	76,413	83,403	8,185	63,490	52,340	11,151	21%	83,403
<i>Other</i>	4	10,121	9,210	9,210	183	7,407	6,140	1,267	21%	9,210
Total Revenue - Functional	2	2,534,437	2,933,837	3,014,560	197,990	1,911,831	1,972,035	(60,205)	-3%	3,014,560
Expenditure - Functional										
<i>Governance and administration</i>		757,821	662,700	774,125	89,104	481,651	501,628	(19,977)	-4%	774,125
Executive and council		505,059	287,301	474,688	68,984	304,473	304,612	(139)	0%	474,688
Finance and administration		247,373	368,723	292,760	19,686	173,476	192,565	(19,089)	-10%	292,760
Internal audit		5,389	6,676	6,676	435	3,702	4,451	(748)	-17%	6,676
<i>Community and public safety</i>		186,168	195,332	211,356	16,329	132,881	133,427	(546)	0%	211,356
Community and social services		45,511	49,529	55,224	3,825	31,791	34,159	(2,368)	-7%	55,224
Sport and recreation		59,539	56,350	59,297	5,337	43,637	38,156	5,481	14%	59,297
Public safety		41,055	42,115	44,440	3,722	28,939	28,542	397	1%	44,440
Housing		20,980	26,752	27,448	1,732	14,780	17,974	(3,194)	-18%	27,448
Health		19,082	20,586	24,947	1,714	13,733	14,596	(863)	-6%	24,947
<i>Economic and environmental services</i>		138,729	256,194	176,912	14,604	106,976	117,401	(10,424)	-9%	176,912
Planning and development		42,376	132,278	53,652	4,563	31,281	34,921	(3,640)	-10%	53,652
Road transport		95,517	123,016	122,359	9,972	75,104	81,880	(6,776)	-8%	122,359
Environmental protection		836	900	900	69	592	600	(9)	-1%	900
<i>Trading services</i>		1,490,202	1,551,892	1,594,875	117,650	1,009,294	1,043,216	(33,922)	-3%	1,594,875
Energy sources		963,125	1,031,152	1,026,815	70,472	662,024	686,568	(24,544)	-4%	1,026,815
Water management		349,874	341,800	373,716	29,406	224,032	234,274	(10,243)	-4%	373,716
Waste water management		104,093	102,527	117,278	10,270	71,666	71,302	364	1%	117,278
Waste management		73,110	76,413	77,066	7,502	51,572	51,073	500	1%	77,066
<i>Other</i>		23,062	25,135	25,644	2,034	15,933	16,858	(926)	-5%	25,644
Total Expenditure - Functional	3	2,595,982	2,691,252	2,782,911	239,721	1,746,735	1,812,531	(65,795)	-4%	2,782,911
Surplus/ (Deficit) for the year		(61,545)	242,584	231,649	(41,731)	165,096	159,505	5,591	4%	231,649

NC091 Sol Plaatje - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M08 February

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										
Revenue by Vote	1									
Vote 01 - Executive & Council		-	-	-	-	-	-	-	-	-
Vote 02 - Municipal And General		503,511	580,455	593,022	27,581	333,930	389,483	(55,554)	-14.3%	593,022
Vote 03 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 04 - Corporate Services		5,432	6,961	7,261	4	2,834	4,701	(1,867)	-39.7%	7,261
Vote 05 - Community Services		124,394	109,495	120,851	13,890	80,746	75,268	5,478	7.3%	120,851
Vote 06 - Financial Services		670,519	683,585	690,785	57,158	528,111	457,164	70,948	15.5%	690,785
Vote 07 - Strategy Econ Development And Planning		6,867	8,015	27,915	425	7,586	9,323	(1,737)	-18.6%	27,915
Vote 08 - Infrastructure And Services		1,223,713	1,545,325	1,574,725	98,932	958,624	1,036,097	(77,473)	-7.5%	1,574,725
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	2,534,437	2,933,837	3,014,560	197,990	1,911,831	1,972,035	(60,205)	-3.1%	3,014,560
Expenditure by Vote	1									
Vote 01 - Executive & Council		58,395	59,173	59,628	4,974	40,593	39,540	1,053	2.7%	59,628
Vote 02 - Municipal And General		434,595	214,468	399,401	63,110	251,629	255,565	(3,936)	-1.5%	399,401
Vote 03 - Municipal Manager		22,369	26,161	28,701	1,807	19,803	17,949	1,854	10.3%	28,701
Vote 04 - Corporate Services		68,169	81,959	77,301	5,345	47,199	53,708	(6,509)	-12.1%	77,301
Vote 05 - Community Services		299,548	312,712	329,231	27,391	211,992	211,780	212	0.1%	329,231
Vote 06 - Financial Services		131,248	237,712	160,249	11,858	94,822	104,923	(10,101)	-9.6%	160,249
Vote 07 - Strategy Econ Development And Planning		57,573	143,730	67,445	5,631	40,647	43,024	(2,377)	-5.5%	67,445
Vote 08 - Infrastructure And Services		1,524,086	1,615,337	1,660,955	119,604	1,040,050	1,086,041	(45,991)	-4.2%	1,660,955
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	2,595,982	2,691,252	2,782,911	239,721	1,746,735	1,812,531	(65,795)	-3.6%	2,782,911
Surplus/ (Deficit) for the year	2	(61,545)	242,584	231,649	(41,731)	165,096	159,505	5,591	3.5%	231,649

NC091 Sol Plaatje - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M08 February

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			754,974	1,034,872	995,202	51,455	571,230	681,980	(110,751)	-16%	995,202
Service charges - Water			271,599	327,114	300,114	22,106	193,713	212,676	(18,963)	-9%	300,114
Service charges - Waste Water Management			89,203	89,858	89,858	8,086	64,242	59,906	4,336	7%	89,858
Service charges - Waste management			66,890	65,412	65,412	6,541	51,233	43,608	7,625	17%	65,412
Sale of Goods and Rendering of Services			13,750	15,579	17,379	1,304	13,178	10,746	2,432	23%	17,379
Agency services									-		
Interest			-	-	-	-	-	-	-		-
Interest earned from Receivables			199,982	168,880	250,400	21,768	169,103	128,891	40,212	31%	250,400
Interest from Current and Non Current Assets			8,550	7,000	9,500	1,717	7,841	5,167			9,500
Dividends			-	-	-	-	-	-	-		-
Rent on Land									-		
Rental from Fixed Assets			26,000	26,930	28,130	2,373	18,847	18,193	653	4%	28,130
Licence and permits			1,056	1,200	1,200	50	464	800	(336)	-42%	1,200
Operational Revenue			3,189	3,134	3,134	830	3,260	2,089	1,171	56%	3,134
Non-Exchange Revenue											
Property rates			610,991	660,893	660,893	45,060	500,804	440,596	60,208	14%	660,893
Surcharges and Taxes									-		
Fines, penalties and forfeits			59,462	30,660	37,910	11,642	27,337	21,890	5,447		37,910
Licence and permits			7,965	6,150	6,150	101	5,122	4,100	1,022		6,150
Transfers and subsidies - Operational			264,657	281,921	287,603	4,834	200,282	189,084	11,199		287,603
Interest			-	-	-	-	-	-	-		-
Fuel Levy									-		
Operational Revenue			4,037	-	44,680	4,438	31,222	8,936	22,286	249%	44,680
Gains on disposal of Assets			5,891	-	1,100	-	1,059	220	839		1,100
Other Gains			34,705	-	-	-	11	-	11		-
Discontinued Operations											
Total Revenue (excluding capital transfers and contributions)			2,422,901	2,719,604	2,798,666	182,306	1,858,948	1,828,881	30,067	2%	2,798,666
Expenditure By Type											
Employee related costs			821,306	881,637	910,366	70,105	581,815	593,507	(11,691)	-2%	910,366
Remuneration of councillors			32,224	35,559	35,559	2,768	23,687	23,706	(19)	0%	35,559
Bulk purchases - electricity			672,362	785,000	790,100	52,507	529,618	524,353	5,265		790,100
Inventory consumed			264,698	305,900	336,955	21,404	187,812	210,170	(22,357)		336,955
Debt impairment			378,747	317,500	317,500	79,375	238,125	211,667	26,458	12%	317,500
Depreciation and amortisation			71,830	86,650	86,650	-	-	57,767	(57,767)	-100%	86,650
Interest			113,955	19,495	20,055	(5)	10,007	13,108	(3,102)	-24%	20,055
Contracted services			28,285	48,113	56,913	4,545	31,527	33,835	(2,309)	-7%	56,913
Transfers and subsidies			2,599	4,560	3,560	-	2,422	2,840	(418)	-15%	3,560
Irrecoverable debts written off			-	-	-	0	1	-	1		-
Operational costs			131,090	145,639	159,253	9,022	113,836	99,818	14,018	14%	159,253
Losses on Disposal of Assets			-	-	-	-	-	-	-		-
Other Losses			78,885	61,200	66,000	-	27,885	41,760	(13,876)		66,000
Total Expenditure			2,595,982	2,691,252	2,782,911	239,721	1,746,735	1,812,531	(65,795)	-4%	2,782,911
Surplus/(Deficit)			(173,081)	28,351	15,755	(57,416)	112,213	16,351	95,862	0	15,755
Transfers and subsidies - capital (monetary allocations)			108,149	214,233	215,894	15,685	52,883	143,154	(90,271)	(0)	215,894
Transfers and subsidies - capital (in-kind)			3,387	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions			(61,545)	242,584	231,649	(41,731)	165,096	159,505			231,649
Income Tax											
Surplus/(Deficit) after income tax			(61,545)	242,584	231,649	(41,731)	165,096	159,505			231,649
Share of Surplus/Deficit attributable to Joint Venture											
Share of Surplus/Deficit attributable to Minorities											
Surplus/(Deficit) attributable to municipality			(61,545)	242,584	231,649	(41,731)	165,096	159,505			231,649
Share of Surplus/Deficit attributable to Associate											
Intercompany/Parent subsidiary transactions											
Surplus/ (Deficit) for the year			(61,545)	242,584	231,649	(41,731)	165,096	159,505			231,649

NC091 Sol Plaatje - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M08 February

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									
Multi-Year expenditure appropriation	2									
Vote 01 - Executive & Council		-	-	-	-	-	-	-		-
Vote 02 - Municipal And General		-	-	-	-	-	-	-		-
Vote 03 - Municipal Manager		-	-	-	-	-	-	-		-
Vote 04 - Corporate Services		-	-	-	-	-	-	-		-
Vote 05 - Community Services		-	-	-	-	-	-	-		-
Vote 06 - Financial Services		-	-	-	-	-	-	-		-
Vote 07 - Strategy Econ Development And Planning		8,996	10,000	30,850	11,416	11,416	8,724	2,693	31%	30,850
Vote 08 - Infrastructure And Services		82,240	183,117	177,037	13,101	48,947	122,975	(74,028)	-60%	177,037
Vote 09 -		-	-	-	-	-	-	-		-
Vote 10 -		-	-	-	-	-	-	-		-
Vote 11 -		-	-	-	-	-	-	-		-
Vote 12 -		-	-	-	-	-	-	-		-
Vote 13 -		-	-	-	-	-	-	-		-
Vote 14 -		-	-	-	-	-	-	-		-
Vote 15 - Other		-	-	-	-	-	-	-		-
Total Capital Multi-year expenditure	4,7	91,236	193,117	207,887	24,517	60,364	131,699	(71,335)	-54%	207,887
Single Year expenditure appropriation	2									
Vote 01 - Executive & Council		-	-	-	-	-	-	-		-
Vote 02 - Municipal And General		14,586	19,500	21,310	618	2,370	13,362	(10,992)	-82%	21,310
Vote 03 - Municipal Manager		-	-	-	-	-	-	-		-
Vote 04 - Corporate Services		-	-	-	-	-	-	-		-
Vote 05 - Community Services		-	-	-	-	-	-	-		-
Vote 06 - Financial Services		-	-	-	-	-	-	-		-
Vote 07 - Strategy Econ Development And Planning		-	-	-	-	-	-	-		-
Vote 08 - Infrastructure And Services		20,194	36,856	42,087	818	7,524	25,617	(18,093)	-71%	42,087
Vote 09 -		-	-	-	-	-	-	-		-
Vote 10 -		-	-	-	-	-	-	-		-
Vote 11 -		-	-	-	-	-	-	-		-
Vote 12 -		-	-	-	-	-	-	-		-
Vote 13 -		-	-	-	-	-	-	-		-
Vote 14 -		-	-	-	-	-	-	-		-
Vote 15 - Other		-	-	-	-	-	-	-		-
Total Capital single-year expenditure	4	34,780	56,356	63,397	1,436	9,894	38,979	(29,085)	-75%	63,397
Total Capital Expenditure		126,016	249,473	271,284	25,953	70,258	170,678	(100,420)	-59%	271,284
Capital Expenditure - Functional Classification										
Governance and administration		14,586	19,500	21,310	618	2,370	13,362	(10,992)	-82%	21,310
Executive and council		14,586	19,500	21,310	618	2,370	13,362	(10,992)	-82%	21,310
Finance and administration		-	-	-	-	-	-	-		-
Internal audit		-	-	-	-	-	-	-		-
Community and public safety		-	-	-	-	-	-	-		-
Community and social services		-	-	-	-	-	-	-		-
Sport and recreation		-	-	-	-	-	-	-		-
Public safety		-	-	-	-	-	-	-		-
Housing		-	-	-	-	-	-	-		-
Health		-	-	-	-	-	-	-		-
Economic and environmental services		44,387	50,000	76,850	18,704	34,643	36,590	(1,947)	-5%	76,850
Planning and development		8,996	10,000	30,850	11,416	11,416	8,724	2,693	31%	30,850
Road transport		35,392	40,000	46,000	7,288	23,227	27,867	(4,640)	-17%	46,000
Environmental protection		-	-	-	-	-	-	-		-
Trading services		67,042	179,973	173,124	6,631	33,244	120,725	(87,481)	-72%	173,124
Energy sources		36,862	54,026	41,837	1,235	10,833	33,580	(22,747)	-68%	41,837
Water management		9,645	125,947	114,947	5,396	18,183	81,765	(63,581)	-78%	114,947
Waste water management		20,535	-	16,340	-	4,228	5,381	(1,153)	-21%	16,340
Waste management		-	-	-	-	-	-	-		-
Other		-	-	-	-	-	-	-		-
Total Capital Expenditure - Functional Classification	3	126,016	249,473	271,284	25,953	70,258	170,678	(100,420)	-59%	271,284
Funded by:										
National Government		96,392	214,233	191,044	15,685	54,843	138,184	(83,341)	-60%	191,044
Provincial Government		-	-	6,000	-	-	1,200	(1,200)	-100%	6,000
District Municipality		-	-	-	-	-	-	-		-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov		-	-	18,850	9,604	9,604	3,770	5,834	155%	18,850
Departm Agencies, Households, Non-profit Institutions, Private Enterprises,		-	-	-	-	-	-	-		-
Public Corporations, Higher Educ Institutions)		-	-	-	-	-	-	-		-
Transfers recognised - capital		96,392	214,233	215,894	25,289	64,448	143,154	(78,707)	-55%	215,894
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		29,624	35,240	55,390	664	5,810	27,523	(21,714)	-79%	55,390
Total Capital Funding		126,016	249,473	271,284	25,953	70,258	170,678	(100,420)	-59%	271,284

NC091 Sol Plaatje - Table C6 Monthly Budget Statement - Financial Position - M08 February

Description	Ref	2022/23	Budget Year 2023/24			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash and cash equivalents		109,536	174,327	73,214	133,651	73,214
Trade and other receivables from exchange transactions		1,093,008	734,354	812,576	1,264,567	812,576
Receivables from non-exchange transactions		876,734	2,173,122	2,173,122	924,746	2,173,122
Current portion of non-current receivables		–	–	–	–	–
Inventory		82,694	27,461	27,461	104,927	27,461
VAT		142,434	362,625	362,625	144,479	362,625
Other current assets		1	126	126	(142)	126
Total current assets		2,304,408	3,472,014	3,449,123	2,572,228	3,449,123
Non current assets						
Investments						
Investment property		212,356	223,856	223,856	216,445	223,856
Property, plant and equipment		2,023,360	2,190,939	2,193,900	2,079,924	2,193,900
Biological assets						
Living and non-living resources						
Heritage assets		12,071	12,071	12,071	12,071	12,071
Intangible assets		17,714	3,492	22,342	27,318	22,342
Trade and other receivables from exchange transactions		–	–	–	–	–
Non-current receivables from non-exchange transactions		–	35,716	35,716	–	35,716
Other non-current assets		–	–	–	–	–
Total non current assets		2,265,500	2,466,074	2,487,885	2,335,757	2,487,885
TOTAL ASSETS		4,569,908	5,938,089	5,937,009	4,907,986	5,937,009
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Financial liabilities		–	–	–	–	–
Consumer deposits		45,776	49,391	49,391	47,562	49,391
Trade and other payables from exchange transactions		1,293,730	937,683	947,539	1,321,628	947,539
Trade and other payables from non-exchange transactions		7,233	–	–	64,234	–
Provision		–	–	–	788	–
VAT		111,227	70,327	70,327	201,021	70,327
Other current liabilities		–	94,029	94,029	–	94,029
Total current liabilities		1,457,966	1,151,431	1,161,286	1,635,233	1,161,286
Non current liabilities						
Financial liabilities		159,430	158,166	158,166	152,895	158,166
Provision		257,313	285,658	285,658	257,313	285,658
Long term portion of trade payables		–	–	–	–	–
Other non-current liabilities		–	–	–	–	–
Total non current liabilities		416,743	443,824	443,824	410,208	443,824
TOTAL LIABILITIES		1,874,708	1,595,254	1,605,110	2,045,441	1,605,110
NET ASSETS	2	2,695,200	4,342,835	4,331,899	2,862,545	4,331,899
COMMUNITY WEALTH/EQUITY						
Accumulated surplus/(deficit)		2,630,346	4,261,958	4,251,028	2,798,479	4,251,028
Reserves and funds		64,066	80,876	80,876	64,066	80,876
Other		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	2,694,412	4,342,835	4,331,904	2,862,545	4,331,904

NC091 Sol Plaatje - Table C7 Monthly Budget Statement - Cash Flow - M08 February

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									
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates			453,721	543,052	543,052	37,962	354,408	362,035	(7,627)	-2%	543,052
Service charges			1,024,096	1,354,795	1,341,114	120,043	778,536	894,076	(115,540)	-13%	1,341,114
Other revenue			724,269	79,844	94,184	48,191	445,047	62,789	382,258	609%	94,184
Transfers and Subsidies - Operational			100,622	281,921	304,653	802	224,533	203,102	21,431	11%	304,653
Transfers and Subsidies - Capital			113,738	214,233	191,044	–	81,200	127,363	(46,163)	-36%	191,044
Interest			567	–	–	373	3,412	–	3,412	#DIV/0!	–
Dividends									–		
Payments											
Suppliers and employees			(3,355,326)	(2,215,507)	(2,295,550)	(229,834)	(1,773,628)	(1,530,366)	243,261	-16%	(2,295,550)
Interest			(2,401)	(19,495)	(20,055)	–	2,401	(13,370)	(15,771)	118%	(20,055)
Transfers and Subsidies			–	–	–	–	–	–	–		–
NET CASH FROM/(USED) OPERATING ACTIVITIES			(940,714)	238,844	158,443	(22,463)	115,911	105,628	(10,283)	-10%	158,443
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			–	–	1,100	–	1,059	733	326	44%	1,100
Decrease (increase) in non-current receiv ables			–	–	–	–	–	–	–		–
Decrease (increase) in non-current investments									–		
Payments											
Capital assets			(126,016)	(249,473)	(271,284)	(25,953)	(70,258)	(180,856)	(110,598)	61%	(271,284)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(126,016)	(249,473)	(270,184)	(25,953)	(69,198)	(180,123)	(110,925)	62%	(270,184)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–		
Borrow ing long term/refinancing									–		
Increase (decrease) in consumer deposits			–	–	–	320	1,569	–	1,569	#DIV/0!	–
Payments											
Repayment of borrowing			–	(13,351)	(13,351)	–	–	(8,901)	(8,901)	100%	(13,351)
NET CASH FROM/(USED) FINANCING ACTIVITIES			–	(13,351)	(13,351)	320	1,569	(8,901)	(10,469)	118%	(13,351)
NET INCREASE/ (DECREASE) IN CASH HELD			(1,066,730)	(23,980)	(125,093)	(48,097)	48,281	(83,395)			(125,093)
Cash/cash equiv alents at beginning:			197,591	198,307	198,307	202,856	109,536	198,307			109,536
Cash/cash equiv alents at month/y ear end:			(869,139)	174,327	73,214		157,818	114,912			(15,556)

The BTO made a concerted effort to align the Cash and equivalents of A6 and A7 for the Adjusted budget for 2023/24 financial year, by relooking at the mapping as advised by NT and BCX. However, there are some errors that must be resolved so that the monthly and YTD actuals populate correctly. The Cash and Cash equivalents is also slightly overstated.

As per C6, the Cash and cash equivalents is R133,651 million as per the Cash book balance.

17. Municipal Manager's quality certification

Quality Certificate

I, BS Matlala, the Municipal Manager of Sol Plaatje Local Municipality, hereby certify that
(mark as appropriate)

☒

the Monthly Budget Statement

☐

Quarterly Report on the implementation of the budget and financial state affairs
of the municipality

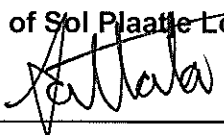
☐

Mid-year Budget and Performance Assessment

For the month of **February 2024** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: Mr. BS Matlala

Municipal Manager of Sol Plaatje Local Municipality (NC091) .

Signature:  _____

Date: 14 /03/2024



Municipal Debt Relief Supplementary Guide to MFMA Circular No. 124

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1. Background

- 1.1 The Eskom Debt Relief Act, 2023 constitutes government's initiative to improve the financial position of Eskom over the medium term. Municipal Eskom debt pose a material risk to the Eskom debt relief. The debt relief to Eskom, will improve Eskom's sustainability and facilitate the condition for Eskom, that Eskom write-off the municipal debt under strict conditions with the National Treasury's guidance.
- 1.2 The approach means that no additional funds are required from the fiscus to address the debt municipalities owed Eskom as of 31 March 2023. [MFMA Circular No. 124 on Municipal Debt Relief](#) (hereafter "**Circular**") was issued as part of the government's initiative to improve the financial position of Eskom over the medium term. Whilst the **Circular** creates mechanism for the write-off of municipal debt owing to Eskom, it also aims to address the liquidity and financial management practices of municipalities through a set of conditions for municipalities.
- 1.3 This supplementary guide sets out the accounting principles to be considered by municipalities who qualify to participate in the Municipal Debt Relief arrangement, as well as how municipalities should record these transactions in terms of the municipal standard chart of accounts (*mSCOA*). This guide should be read in conjunction with the **Circular**, the conditions for Eskom in the municipal space and the relevant Standards of Generally Recognised Accounting Practice (GRAP).
- 1.4 The cut-off date for municipal applications was 31 October 2023 to facilitate all approved municipalities' admission to municipal debt relief before 01 December 2023 – this means that a municipality admitted by 01 December 2023 that meets the conditions consecutively until 30 November 2026 could in principle receive a full debt write-off. A municipality that, subsequent its approval for debt relief, drops-out of the programme may re-apply – however in this case it could result in a less than full debt write-off.

2. Benefit to municipalities participating in the arrangement

- 2.1 The financial relief to municipalities will be in the form of the write-off of the debt owing to Eskom as at 31 March 2023¹. This amount comprises of the principal amount and any interest and/or penalties accrued up until 31 March 2023 (hereafter referred to as "**Municipal Relief Debt**"). Eskom's MFMA s.41 statement as at 31 March 2023 provides the Rand value of the **Municipal Relief Debt**. Each municipality applies to the National Treasury to participate in the Municipal Debt Relief arrangement by providing the minimum information as specified in the **Circular**².

Note – Most municipalities applying for debt relief already have a payment arrangement in place with Eskom for the Municipal Relief Debt. This payment arrangement ceases to exist at the **effective date**. The Eskom MFMA s.41 statement amount may include a component of the municipality's payment arrangement with Eskom to repay the debt regarded as the **Municipal Relief Debt**. It is thus important to note that the exact Rand value that is the subject of municipal debt relief for the specific municipality is to be confirmed by Eskom in writing to the National Treasury and municipality once Eskom affected the necessary adjustment for any payment arrangement.

¹ Municipal Relief Debt excludes the municipality's Eskom March 2023 current account.

² See section 3 of the Circular.

- 2.2 The Municipal Debt Relief arrangement, as outlined in the **Circular**, will apply as follows to qualifying municipalities, from the date the National Treasury approves the municipality's application ("**effective date**"):

Interest

- 2.2.1 Eskom will permanently suppress (i.e., stop charging) interest on the **Municipal Relief Debt** from 01 April 2023 up to and including the **effective date**. Any interest charged by Eskom, will be reversed within three (3) calendar months from the date of the National Treasury approval letter to the municipality. This benefit remains in effect even if the municipality later fails to meet the conditions for the debt write-off.
- 2.2.2 *For new municipal arrears accruing from 01 April 2023 (that is not **Municipal Relief Debt**)* – Subject to 2.2.10 below, the municipality will need to enter into a repayment arrangement with Eskom if it is unable to pay any arrears³ owing to Eskom from 01 April 2023 (including the March 2023 current account) up to the **effective date**. For the first 12 months of any such payment arrangement, Eskom will suppress interest thereon, subject to the municipality honouring the payment arrangement.
- 2.2.3 *Extension of the interest concession on bulk accounts to all customer accounts* – with effect from the Eskom October 2023 billing cycle⁴ or earlier, cap the maximum interest raised against all municipal accounts at the prevailing prime interest rate plus 2.5 per cent or less. This concession applies to all municipalities and not only municipalities approved for debt relief.
- 2.2.4 *Continuation of previous concession to all municipalities* – allocate payments received from municipalities to capital first then to interest.

Legal proceedings, court orders and existing payment arrangements

- 2.2.5 Any existing repayment plan with Eskom that relates to the **Municipal Relief Debt** will come to an end. Additionally, Eskom will stay any existing legal proceedings related to this debt where the court has not yet made an order.
- 2.2.6 However, if Eskom, as the applicant, **already obtained an order of court for direct payment**⁵ **prior to the effective date** → Eskom to fully cease enforcing any such order of court parallel to Eskom writing-off the last third of the municipality's debt as envisaged in the **Circular** i.e., for the duration of debt relief Eskom must apply any collections in terms of such an order to the municipality's current account.
- 2.2.7 If Eskom, as the applicant, **already obtained an order of court for a payment arrangement**⁶ relating to arrears, interest and penalties on the **Municipal Relief Debt prior to the effective date** → Eskom to enforce any such order of court only to the extent necessary to settle any current account of that municipality following the

³ Arrears on the current account not paid in accordance with stipulated conditions.

⁴ This means that with effect municipalities' October 2023 consumption (payment due in November 2023).

⁵ An order where some consumers, normally large power users (LPU's), supplied by the municipality must directly pay their municipal electricity bill to Eskom and not to the municipality.

⁶ For example, Eskom obtained a writ to attach the municipality's bank account for Municipal Relief Debt – the writ was obtained before the effective date.

effective date – Eskom to fully cease enforcing any such order of court parallel to Eskom writing-off the last third of the municipality's debt as envisaged in the **Circular**.

- 2.2.8 The stay of any other court order relating to **Municipal Relief Debt** where Eskom was the applicant, may be agreed on in writing between the National Treasury and Eskom on a case-by-case basis. The municipality will need to make a request for the stay of such an order of court to the National Treasury in writing.

Debt write-off

- 2.2.9 The **Municipal Relief Debt** will be written off by Eskom over a three-year period – one third of the Municipal Relief Debt for every 12 consecutive months the municipality complies with the conditions. The write-off by Eskom is contingent upon the municipality continuously meeting the conditions specified in the **Circular**, as well as an annual written communication from the National Treasury confirming compliance with the conditions with the conditions.

Notes to paragraph 2.2.9 – In terms of the conditions for Eskom, paragraph 2.2.9 –

- (1) *To be interpreted as not compromising in any way the full benefit of debt write-off for any municipality that maintained its existing payment arrangement with Eskom (relating to Municipal Relief Debt) up to the effective date. **For example**, if the municipality prior to the effective date during April and May 2023 already repaid R2000 of its R3 million Municipal Relief Debt – Eskom to write off the full R3 million value of the arrears, interest and penalties that existed at 31 March 2023 despite the municipality's R2000 repayment made prior to the effective date.*
- (2) *The last cycle of Eskom municipal debt write-off ends on 30 November 2026 – also for a municipality that after a drop-out from the programme successfully re-applied to NT. If at 30 November 2026 any municipality accumulated a cycle of compliance less than 12 months – Eskom to write-off a pro-rata of that year's third debt write-off benefit for that municipality subject thereto that: if any municipality made up (also partly) for any shortfalls as a result of failure since its initial admission to the programme, NT and Eskom may agree otherwise on the remaining debt of that municipality.*

- 2.2.10 **Only in relation to the top 13 Eskom municipal defaulters⁷**, on a case-by-case basis NT and Eskom may agree that Eskom –

- i. Ringfence any new overdue debt (the current accounts since March 2023 up to and including the date of the National Treasury approval letter⁸) of the municipality to not be subject to a payment arrangement as envisaged in the approval letters for these municipalities;

Subject to the municipality's change in behaviour/ maintenance of the Eskom current account over the municipal debt relief compliance cycle –

- ii. Annually suppress (i.e., stop charging) interest on this debt;

⁷ The top 13 Eskom municipal defaulters as at 31 March 2023 are: Emalahleni (MP), Maluti-a-Phofung, Emfuleni, Matjhabeng, Govan Mbeki, Lekwa, Ngwathe, City of Matlosana, City of Mbombela, Thaba Chweu, City of Tshwane, Ditsobotla and Enoch Mgijima municipalities.

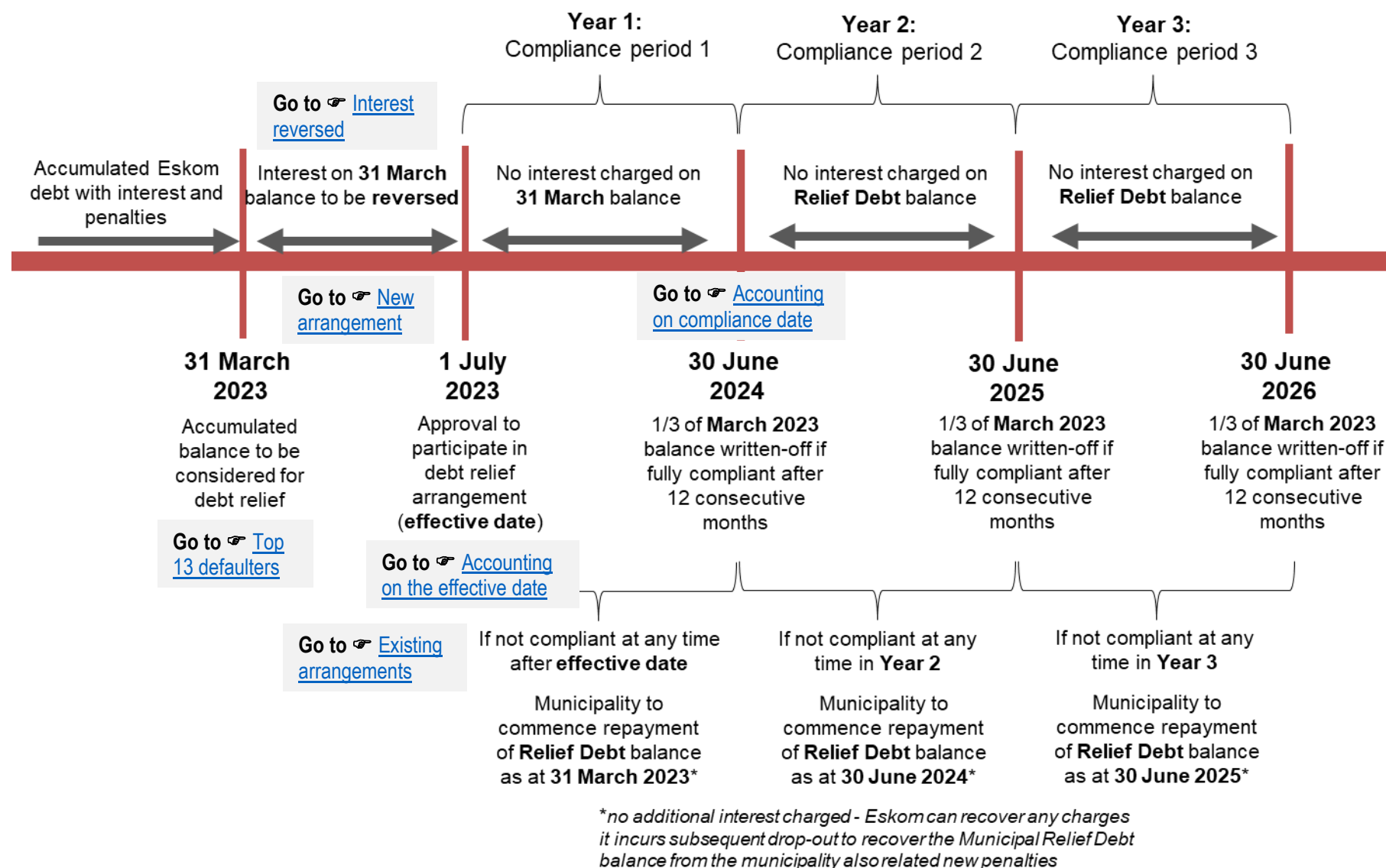
⁸ It is important to note that in this case it is not the effective date.

- iii. Write-off this debt at the end of the municipality's 36 months debt relief compliance cycle; and
- iv. If the municipality default on any current account subsequent the approval date, Eskom may in relation to this debt at its discretion immediately –
 - a. Implement its normal credit control processes;
 - b. Levy interest going forward, from the date of default; and
 - c. Conclude a payment arrangement with the municipality in relation to this new overdue debt as envisaged in the municipality's debt relief approval letter.

Consequences for failure

- 2.2.11 If the municipality fails to meet the conditions, it will be required to repay the remaining balance of the **Municipal Relief Debt** to Eskom. The remaining balance being the initial value of the **Municipal Relief Debt** less any amounts written-off up to the date of non-compliance. The repayment period will be determined between Eskom and the municipality, and no new interest will accrue on the **Municipal Relief Debt** during this or any subsequent period.
- 2.2.12 Eskom may recover any related charges incurred subsequent to the municipality's exit from the programme to recover the **Municipal Relief Debt** from the municipality, including new penalties that Eskom may charge the municipality after exit. Any amounts previously witten-off by Eskom cannot be reinstated. A municipality will have a curing period of 30 days to rectify any non-compliance from the date the National Treasury and / or relevant Provincial Treasury issue the municipality with a non-compliance certificate relating to the agreed arrangement.
- 2.2.13 Failure to meet the conditions could also result in Eskom enforcing any existing court orders pertaining to the **Municipal Relief Debt** still owed to Eskom. Eskom may also institute new legal action to recover the remaining balance of the **Municipal Relief Debt** from the municipality.

Illustrating the Municipal Debt Relief Arrangement



3. Accounting considerations

Considerations on the effective date – the Municipal Relief Debt

- 3.1 Prior to qualifying for participation in the Municipal Debt Relief arrangement, a municipality would have accounted for the financial liability owing to Eskom in terms of GRAP 104 on *Financial Instruments* (issued October 2009)⁹. This includes any separate repayment arrangements negotiated with Eskom on the outstanding amounts.

NB: There are currently five municipalities¹⁰ with an **effective date** of 1 June 2023. This implies that the municipality must consider the accounting treatment discussed below when preparing its annual financial statements for the year ended 30 June 2023.

Do the terms of the Municipal Debt Relief arrangement modify the existing terms of the liability between the qualifying municipality and Eskom?

- 3.2 According to GRAP 104, if there is a **significant modification in the terms** of an existing financial liability (regardless of whether it is due to the debtor's financial difficulty), it is accounted for as the extinguishment of the original financial liability and the recognition of a new financial liability¹¹.
- 3.3 The terms are considered substantially different if the discounted present value of cash flows under the new terms, including any net fees paid or received and discounted using the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability¹². The waiving of interest/ penalties alone will most likely result in a difference of more than 10%.
- 3.4 Where the **Municipal Relief Debt** is not regarded as a new financial liability for the municipality on the **effective date**, consideration is given to GRAP 1 on *Presentation of Financial Statements* which specifies that if an entity expects, and has the discretion, to refinance or roll over an obligation or at least twelve months after the reporting date under an existing payment arrangement, it classifies the obligation as non-current even if it would otherwise be due within a shorter period¹³.
- 3.5 The Debt Relief Arrangement results in a change in classification of 2/3^{ds} of the **Municipal Relief Debt** due to Eskom as non-current because the municipality will have a substantive right to defer settlement for at least 12 months after the end of the reporting period.

⁹ GRAP 104 on Financial Instruments was revised in 2019. The revised Standard is effective for municipalities from 1 April 2025.

¹⁰ Rand West City, Ulundi, Mbombela, Emfuleni, and the City of Matlosana LM's.

¹¹ GRAP 104 (2009) par .80

¹² GRAP 104 (2009) paragraph .81 and AG149

¹³ GRAP 1 paragraph .75

Is the [new] Municipal Relief Debt owing to Eskom a financial liability for the qualifying municipality?

- 3.6 When a municipality received approval for its participation in the Municipal Debt Relief arrangement from the National Treasury (i.e., on the **effective date**), it must assess whether the **Municipal Relief Debt** constitutes a financial liability.
- 3.7 A financial instrument is considered a residual interest when an entity is a party to the contractual provisions of the instrument and meets the recognition criteria but does not have any obligation to deliver cash or another financial asset to the other party, nor is it required to exchange financial instruments under unfavourable conditions. In other words, it does not meet the definition of a financial liability¹⁴.
- 3.8 Although the Municipal Debt Relief arrangement provides an opportunity for the debt to be written off, this write-off is contingent upon the municipality satisfying specific conditions to the satisfaction of the National Treasury (and consequently Eskom).
- 3.9 The municipality still owes Eskom the **Municipal Relief Debt** on the **effective date**. The write-off or the re-commencement of the payment is however contingent on certain future events happening or not happening. These future events are the meeting of the conditions set out in clause 6 of the **Circular** by the municipality. If these conditions are wholly within the control of the municipality, then municipality cannot recognise the **Municipal Relief Debt** as a financial liability¹⁵.
- 3.10 This guidance takes a view that, at the **effective date**, the municipality does not possess an unconditional right to avoid settling its obligation with Eskom as meeting all the conditions (on a continuously basis) is not wholly within its control. The guidance to follow discusses the nature and accounting for the **Municipal Relief Debt** as a financial liability.

What is the nature of the new financial liability?

- 3.11 The liability for a municipality originated from the receipt of goods/ services from Eskom on credit. However, the Municipal Debt Relief arrangement changes the substance of the liability to a repayment arrangement. This arrangement has a “concessionary element” in that no interest will be charged over the period of the arrangement. This liability, like all others, is recognised at fair value on initial recognition.

Assume Muni XY’s **Municipal Relief Debt** amounts to R30million. It is a three-year liability at 0% interest, with “repayments” made annually. A similar debt instrument in the market bears interest at 12% per annum.

	Year 1	Year 2	Year 3
Capital balance	R20 million	R10 million	R0
Total “repayments”	R10 million	R10 million	R10 million
PV	R8.93 million	R7.97 million	R7.12 million

¹⁴ GRAP 104 (2009) paragraph .27

¹⁵ The new financial liability should not be interpreted to fall within the ambit of section 45 or 46 of the MFMA.

Total “repayment”	R30 million
Less: PV (FV of the liability on initial recognition)	<u>R24 million</u>
Off-market portion of the liability	R6 million

The off-market portion, of R6 million, is recognised by the municipality in terms of GRAP 23 on *Revenue from Non-exchange Transactions*¹⁶.

How should the municipality recognise the off-market portion of the arrangement (financial liability)?

- 3.12 As mentioned above, the municipality will apply GRAP 23 to recognise the off-market portion of the liability. Under this Standard, a municipality recognises non-exchange revenue at the outset, unless a liability is identified¹⁷. If a liability is recognised, the municipality recognises revenue as it fulfils the conditions stipulated in the payment agreement.
- 3.13 Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset [i.e., the off-market portion] is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
- 3.14 The off-market portion is essentially an interest benefit for the municipality. This means the municipality will not have to pay any interest on the **Municipal Relief Debt**. Importantly, this benefit isn't contingent on the municipality's ongoing adherence to the conditions outlined in the **Circular**.
- 3.15 Moreover, even if the municipality fails to comply at a later date and consequently has to start repaying the **Municipal Relief Debt** balance to Eskom, this liability will remain interest-free. The entry illustrated below, is **not** reversed if the municipality is at any stage non-compliant with the conditions in the **Circular**.
- 3.16 It is thus expected that a municipality will recognise the off-market portion, in full on the **effective date**, as **non-exchange revenue**.

Year 1 – When the municipality qualifies to participate in the Municipal Debt Relief arrangement		Debit	Credit
		Rm	Rm
Eskom debt (POS)		30	
Municipal Relief Debt liability (POS)			24
Revenue from non-exchange transactions (PER)			6
Derecognition of the existing liability to Eskom and the recognition of the Municipal Relief Debt liability.			

¹⁶ GRAP 104 (2009) paragraph .37

¹⁷ GRAP 23 paragraph .44

Considerations on the effective date – interest charged in intervening period

- 3.17 As mentioned in paragraph 2.2.1 above, Eskom will permanently suppress interest on the **Municipal Relief Debt** charged from 01 April 2023 up to and including the **effective date**. Eskom will do so within three months of the **effective date**.
- 3.18 The municipality may only de-recognise the interest when notified by Eskom of the reversal, it may not automatically reverse any additional interest accrued up until the **effective date**. GRAP 104 only permits the derecognition of a liability or part thereof when it is waived by the creditor¹⁸.
- 3.19 When a creditor waives its right to collect a debt or part thereof, the amount waived is regarded as revenue from a non-exchange transaction for the reporting entity. Revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven¹⁹.

Muni XY's **Municipal Relief Debt** amounts to R30 million on 31 March 2023. Eskom charges interest of 15% on arrear debt. Prior to the effective date, Muni XY would have accrued an additional interest of R1.1 million (15% over 3 months).

Year 1 – Charging of interest	Debit	Credit
	Rm	Rm
Finance charges (PER)	1.1	
Eskom debt (POS)		1.1
Recognition of interest on the Eskom debt charged monthly by Eskom – this journal shows the total for the three-month period.		

Year 1 – When the municipality is notified of the wavering of interest charged in the intervening period	Debit	Credit
	Rm	Rm
Eskom debt (POS)	1.1	
Revenue from non-exchange transactions (PER)		1.1
Derecognition of a portion of the liability that accrued interest in the intervening period.		

- 3.20 As mentioned above, these accounting transactions are affected by a municipality on notification from Eskom. In practice, it may be that the reversal of the interest by Eskom (and the notification thereof) is done only after the **effective date**.

¹⁸ GRAP 104 (2009) paragraph .80

¹⁹ GRAP 23 paragraph .85 - .88

Considerations on the effective date – existing payment arrangements

- 3.21 As mentioned in paragraph 2.2.5 above, Eskom will, on the **effective date**, suspend enforcing any existing repayment plan and stay any existing legal proceedings related to this debt where the court has not yet made an order. In such instances, the municipality will consider the accounting guidance provided in the section [☞ Considerations on the effective date – the Municipal Relief Debt](#) above.

What about payments made to Eskom relating to the Municipal Relief Debt after March 2023 but prior to the effective date?

- 3.22 Payments made by a municipality (or a direct payment by a municipal customer to Eskom) under an existing payment arrangement, either as agreed or enforced by the courts, relating to the **Municipal Relief Debt** after 31 March 2013 but before the **effective date**, will **NOT** be considered in determining the value of the **Municipal Relief Debt** on the **effective date** (see notes to paragraph 2.2.9 above). These amounts will instead be allocated against the current account of the municipality.

What is the impact on accounting where the court has already issued a ruling against the municipality?

- 3.23 An entity can be legally absolved from its primary obligation for a debt, either through a legal process or an agreement with the creditor²⁰. Following a court ruling, a municipality assesses the court's decision and whether it legally exempted it from repaying Eskom.
- 3.24 This document has identified two types of court rulings against a municipality, these are considered in further detail below:
- 3.24.1 A customer is ordered to settle its debt owing to the municipality directly with Eskom (paragraph 2.2.6). Assuming, following an assessment of the court order, the municipality continued to recognise the debt owing to Eskom, it would have derecognised part of the debt owing with each direct payment, by the customer, to Eskom. In terms of the **Circular**, the municipality will cease to derecognise the portion of the debt settled by the customer for the duration of its participation in the arrangement. This is because Eskom will not attribute the funds received to the municipality's **Municipal Relief Debt**. All funds received from the customer will instead be allocated by Eskom to the municipality's current account.

Assume Customer ABC owes Muni XY R12 million. The court has ordered Customer ABC to settle the amount owing directly with Eskom. It is required to pay Eskom R500,000 per month over 24 months. On the effective date, Customer ABC still owed Eskom R9 million (i.e. only 6 months had passed since the date of order). Customer ABC continues to pay Eskom R500,000 per month over the remaining 18 months. Each month, Eskom allocates the R500,000 received against Muni XY's current account. The municipality will in turn allocate the payment made by Customer ABC against debt recognised by the municipality (i.e. the receivable of Customer ABC in the financial records of the municipality).

²⁰ GRAP 104 (2019) .AG144(b)

3.24.2 If the municipality is ordered to settle arrear amounts, and such amounts are included in the **Municipal Relief Debt** on the **effective date**, it will be required to continue to advance the payments as per the order. All payments made will however be attributed, by Eskom and the municipality, to the current account of the municipality. The amount paid (and payable) by the municipality will however be limited to the current account balance.

Considerations on the effective date – new payment arrangements

- 3.25 Paragraph 2.2.2 discusses the negotiation of a new repayment arrangement for municipal arrears accruing from 1 April 2023 (including the March 2023 current account) up to the effective date. This arrangement is only possible for municipalities that have been approved to participate in the municipal debt relief arrangement. For the first 12 months of any such payment arrangement, Eskom will suppress interest thereon, subject to the municipality honouring the payment arrangement.
- 3.26 The municipality must, subsequent to the conclusion of the negotiations, consider whether there is a significant modification of the existing liability as defined in GRAP 104 (see discussion and the resulting accounting entries, if relevant [☞ Considerations on the effective date – the Municipal Relief Debt](#)).

Considerations on the effective date – top 13 defaulters

- 3.27 The arrangement is effectively extended for the top 13 municipal defaulters and importantly is contingent on both National Treasury and Eskom agreeing in relation to a specific defaulter. The added benefit for these municipalities is that the **Municipal Relief Debt plus** debt accruing from March 2023 to the **effective date** (“**Interim Debt**”) date may be subject to debt write-off under the arrangement.
- 3.28 Eskom will suppress the charging of interest on the **Interim Debt** and will consider writing off the balance at the end of the municipality's 36-month debt relief compliance cycle subject to the conditions set out in paragraph 2.2.10 above.
- 3.29 Starting from the effective date, the municipality won't incur interest on the interim debt for the first year. If the municipality consistently meets its current account obligations, this interest free benefit extends into year 2 and year 3. Eskom will consider the write-off of the interim debt at the end of year 3.
- 3.30 However, if the municipality ever defaults on its current account, the interest benefit ends. Eskom can then resume charging interest and enforce its standard credit controls. At that point, a new payment plan for the interim debt with Eskom would be necessary.
- 3.31 The municipality must, on the **effective date**, also consider whether there is a significant modification of the existing liability (i.e. the **Interim Debt**) as defined in GRAP 104 (see discussion and resulting accounting entries, if relevant [☞ Considerations on the effective date – the Municipal Relief Debt](#)). As this could be a three-year interest free liability, there is most likely a significant modification to the terms of the existing liability.

- 3.32 For the **Interim Debt** however, any difference in the remeasurement of the liability will not immediately be recognised as non-exchange revenue. The municipality will recognise a liability and only recognise revenue for each compliant period.

Assume Muni XY's **Interim Debt** amounts to R15 million. It is assumed to be a three-year liability at 0% interest, with "repayments" made annually. A similar debt instrument in the market bears interest at 12% per annum.

	Year 1	Year 2	Year 3
Capital balance	R10 million	R5 million	R0
Total "repayments"	R5 million	R5 million	R5 million
PV	R4.46 million	R3.99 million	R3.56 million

Total "repayment"	R15 million
Less: PV (FV of loan on initial recognition)	<u>R12 million</u> **
Off-market portion of loan	R3 million

**Using excel: =PV(12%;3;5000000)

Year 1 - When the municipality qualifies to participate in the Municipal Debt Relief arrangement	Debit	Credit
	Rm	Rm
Eskom debt (POS)	15	
Municipal Relief Debt –loan (POS)		12
Liability related to non-exchange revenue (POS)		3
Derecognition of the existing liability to Eskom and the recognition of the Municipal Relief Debt – loan.		

Year 1 - When the municipality demonstrates compliance in keeping current account up to date	Debit	Credit
	Rm	Rm
Liability related to non-exchange revenue (POS)	1	
Revenue from non-exchange transactions (PER)		1
A 3rd of the interest benefit is recognised at the end of year 1 if the municipality demonstrates compliance.		

The same accounting entry will be passed at the end of year 2 and 3 if the municipality remains compliant. If the municipality defaults the remaining balance of the non-exchange revenue liability will be considered in the calculation of the amount to be paid back to Eskom.

Considerations at the compliance date

- 3.33 Using the information in paragraph 3.11 above, the compliant municipality will write off a third of its debt as follows:

Year 1 – Write-off of the debt due to confirmed continued compliance to the Circular by the municipality	Debit	Credit
	Rm	Rm
Municipal Relief Debt –loan (POS)	10	
Municipal Relief Debt write-off* (PER)		10
Write-off of a third of the Municipal Relief Debt.		

*The write-off is a non-exchange transaction and is accounted for in terms of GRAP 23²¹.

- 3.34 A similar accounting entry will be passed in Year 2 and Year 3 of the compliance cycle – provided compliance has been demonstrated and confirmed by National Treasury and the municipality receives notification of the write-off from Eskom.

Events after the reporting date

- 3.35 Municipalities whose **effective date** is after 30 June 2023 but before the date on which the financial statements are authorised for issue should consider relevant disclosures in the notes to the financial statements – as non-adjusting events per GRAP 14 on *Events After the Reporting Date*.

²¹ GRAP 104 (2009) paragraph .82

4. **mSCOA ring-fencing for purposes of condition 6.12 in the Circular**

- 4.1 Municipal Debt Relief Condition 6.12 of the **Circular** requires the municipality to apportion and ring-fence in a sub-account to its primary bank account –
- (a) all electricity, water and sanitation revenue the municipality collects in any month; and
 - (b) the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic electricity, water and sanitation.
- 4.2 The municipality must monthly first apply the revenue in the sub-account (required per condition 6.12.1) to pay its current Eskom account and then secondly its bulk water current account before it may apply the revenue in the sub-account for any other purpose. The municipal standard chart of accounts (*mSCOA*) facilitates such ring-fencing and the National Treasury therefore confirms that **for purposes of the Circular (Condition 6.12) the municipality does not need to open a separate bank account. However, it is important that municipalities budget and transact correctly in terms of mSCOA to enable ring-fencing.** Guidance in this regard is provided below.
- 4.3 Municipalities must ensure that they budget and transact on the following accounts in respect of ringfencing electricity, water and sanitation. It is important to utilise the bank deposits in the primary bank account of the municipality to ring fence the receipts as it will also accommodate the prepaid electricity and water receipts of the municipality.
- 4.4 Municipalities must ensure that they apply the accrual basis of accounting to revenue and expenditure transactions, thus ensuring that the bulk purchases are accrued correctly in the statement of financial position and performance.

Guidance: Condition 6.12 – Electricity

4.5 **Expenditure: Bulk Purchases Electricity: Eskom**

The municipality must identify the relevant bulk electricity expenditure line item from the chart of accounts that is provided under Item Expenditure: **IE00200100100**

4.6 **Accounting for the Eskom invoice**

Municipal Debt Relief Condition 6.3 requires the municipality to monthly pay and maintain its Eskom current account within 30 days of receiving the relevant invoice (this applies to all municipalities, including metros). It is therefore important that the payment to Eskom is appropriately recorded for *mSCOA* purposes and fully align to the proof of payment the municipality upload to the GoMuni portal.

Municipalities must practise accrual accounting and therefore monthly invoices from ESKOM must be accrued under Current Liability: deposits and the payments to ESKOM against the Current Liability: Withdrawal as indicated below:

IL00100600800200 – Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Electricity Bulk Purchase: Deposits

IA001001001 – Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Withdrawals

IL00100600800300 – Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Electricity Bulk Purchase: Withdrawals

4.7 *Exchange Revenue: Service Charges: Electricity*

Municipal Debt Relief condition 6.6.1 requires the municipality to issue a consolidated bill to all consumers/ property owners. Parallel to issuing the monthly consolidated bill the municipality must record in terms of *mSCOA* the electricity component of the consolidated bill as follows – the municipality must identify the relevant electricity income generating line item from the chart of accounts that is provided under Item Exchange Revenue: **IR002006001 and Exchange Trade and other Receivables: IA001010003001002.**

4.8 *Receipts of Electricity in the Municipal Bank Account*

Municipal Debt Relief condition 6.6.1 requires the municipality to issue a consolidated bill to all consumers/ property owners and then allocate all partial payments received in the following order of priority: firstly, to property rates, thereafter to water, sanitation, refuse removal and lastly to electricity. When allocating any receipts in terms of the consolidated bill, the municipality must consider the condition 6.6.1 order of priority and apply such first. Then only must the following *mSCOA* accounts be used to account for the receipt of the component of the electricity payments paid into the bank account:

IA001001001001001 Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits

IA001010003001005 Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Collections

FD001001001008001 Fund: Operational: Revenue: General Revenue: Service Charges: Electricity

4.9 *Free Basic Services Formal Settlements: Electricity*

In terms of Municipal Debt Relief Condition 6.12 the municipality to apportion and ring-fence in a sub-account to its primary bank account the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic electricity. The receipt of the LGES can be ringfenced through the function segment per trading services (electricity, water and sanitation).

Consideration should be given to the allocations to the Free Basic Services (FBS) as per the LGES formula and should be incorporated in the Indigent Policy of the municipality. Free Basic Services is recorded via Typical Workstreams Project against the Revenue Item (electricity). No Liability is created. The following *mSCOA* accounts to be used to account for this in relation to electricity:

Receipt of Equitable Share

IR003005002002006002 – Revenue: Non-exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: National Revenue Fund: Equitable Share

FX002001001000000000 – Function: Energy Sources: Core Function: Electricity

Free Basic Services Formal Settlements: Electricity

To record the actual provision of Free Basic Electricity, municipalities must budget and transact for Free Basic Electricity for the indigent consumers under Project: Typical Workstreams; Item Revenue using the following *mSCOA* accounts:

PO00305700100000 – Operational: Typical Work Streams: Cost of Free Basic Services: Electricity (50 kwh per household per month)

IE01006400000000 – Expenditure: Operational Cost: Indigent Relief

Unlimited Free Basic Services Formal Settlements: Electricity

Some municipalities are not restricting Free Basic Electricity provided to indigent households to the national policy limit of 50kwh Free Basic Electricity. All electricity provided to indigent households above the national policy limit of 50 kwh must be recorded using the following *mSCOA* accounts:

PO003058001000 – Operational: Typical Work Streams: Revenue Cost of Free Services: Electricity (Other Energy).

4.10 *Free Basic Services: Informal Settlements*

Municipalities provide services for informal settlements these indigent consumers are often not billed by the municipality. The chart makes provision under typical workstreams to ringfence the expenditure items. The expenditure items will depend on the nature of the relief given to the indigent consumer which is obtainable from the chart. The following *mSCOA* accounts can be used:

PO003060 – Operational: Typical Work Streams: Cost of Free Basic Services to Informal Settlements

IE003003 – Item Expenditure

4.11 *Example in illustration - Electricity*

Below is an example of how Muni XY receipts and capture the transaction after the approval of the municipal debt relief for the ringfencing of the Electricity receipts.

Example Paragraph 4.5 - Accrual of Bulk Electricity

Municipalities must accrue for the bulk purchase of electricity prior to payment being made.

Segment	Debit	Credit
Project	Municipal Running Cost	Default
Function	Energy Sources: Core Function: Electricity	Energy Sources: Core Function: Electricity
Item	Bulk Purchases: Electricity: ESKOM	Current Liabilities: Trade and Other Payable Exchange Transactions: Electricity Bulk Purchase: Deposits
Funding	Operational:Revenue: General Revenue: Service Charges: Electricity	Operational:Revenue: General Revenue: Service Charges: Electricity
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

Example paragraph 4.7 above - **Billing for Electricity Revenue**

In terms of Municipal Debt Relief Condition 6.6 the municipality must issue a consolidated bill to the municipal consumer/ property owner – the electricity component of the consolidated bill needs to be recorded as follows –

Segment	Debit	Credit
Project	Default	Default
Function	Energy Sources: Core Function: Electricity	Energy Sources: Core Function: Electricity
Item	Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Monthly Billing	Exchange Revenue: Service Charges: Electricity: Electricity Sales: Commercial Conventional (Single Phase)
Funding	Operational: Revenue: General Revenue: Service Charges: Electricity	Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

Example paragraph 4.8 above – Ringfencing the Receipts of Electricity Sales

Before allocating any consumer/ property owner payments to the consumer's account, to facilitate credit control, the municipality is required to consider and apply the order of priority²² required in terms of Municipal Debt Relief Condition 6.6.1 –

Segment	Debit	Credit
Project	Default	Default
Function	Energy Sources: Core Function: Electricity	Energy Sources: Core Function: Electricity
Item	Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: Deposits	Current Assets : Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Collections
Funding	Operational: Revenue: General Revenue: Service Charges: Electricity	Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

Paragraph 4.6 – Payment of Bulk Purchases: Electricity *(Capturing the municipality's payment of the Eskom invoice)*

Segment	Debit	Credit
Project	Municipal Running Cost	Municipal Running Cost
Function	Energy Sources: Core Function: Electricity	Energy Sources: Core Function: Electricity
Item	Current Liabilities: Trade and Other Payable Exchange Transactions: Electricity Bulk Purchase : Withdrawals	Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Withdrawals
Funding	Operational: Revenue: General Revenue: Service Charges: Electricity	Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

²² Condition 6.6.1 requires all partial payments received to be allocated in the following order of priority: firstly, to property rates, thereafter to water, sanitation, refuse removal and lastly to electricity.

Example paragraph 4.9 above – Free Basic Services Formal Settlements: Electricity (50kwh per household) – Free Basic Services is recorded via Typical Workstreams Project against the Revenue Item (electricity). No Liability is created:

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Cost of Free Basic Services: Electricity (50 kwh per household per month)	Default
Function	Energy Sources: Core Function: Electricity	Energy Sources: Core Function: Electricity
Item	Exchange Revenue: Service Charges: Electricity: Electricity Sales: Commercial Conventional (Single Phase)	Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Monthly Billing
Funding	Operational: Revenue: General Revenue: Equitable Share	Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

Example paragraph 4.9 above – Unlimited Free Basic Services: Electricity

Some municipalities are not restricting Free Basic Electricity provided to indigent households to the national policy limit of 50kwh Free Basic Electricity. All electricity provided to indigent households above the national policy limit of 50 kwh must be recorded using the following mSCOA accounts:

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Revenue Cost of Free Services: Electricity (Other Energy)	Default
Function	Function: Energy Sources: Core Function: Electricity	Function: Energy Sources: Core Function: Electricity
Item	Revenue: Exchange Revenue: Service Charges: Electricity: Electricity Sales: Domestic High: Conventional	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Monthly Billing
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Whole of municipality	Whole of municipality
Costing	Default	Default

Example paragraph 4.10 above – Free Basic Services Informal Settlements: Electricity

Municipalities provide services for informal settlements these indigent consumers are often not billed by the municipality.

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Revenue Cost of Free Services to Informal Settlements	Default
Function	Function: Energy Sources: Core Function: Electricity	Function: Energy Sources: Core Function: Electricity
Item	Expenditure: Operational Cost: Wet Fuel	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Primary Bank account: Withdrawals
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Whole of municipality	Whole of municipality
Costing	Default	Default

Guidance: Condition 6.12 – Water**4.12 Current Assets: Inventory: Water: System Input Volume: Bulk Purchases**

The municipalities must identify the relevant Water Inventory current asset line item from the chart of accounts that is provided under Item current assets: **IA00100900500200200**

4.13 Accounting for the Water Board/ Water Authority invoice

Municipalities must practise accrual accounting and therefore monthly invoices from Water Boards/Water Authorities must be accrued under Current Liability: deposits and the payments to Water Boards/ Water Authorities against the Current Liability: Withdrawal as indicated below:

IL00100602300200 – Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Payables and Accruals: Inventory: Deposits

IA001001001 – Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Withdrawals

IL00100602300300 – Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Payables and Accruals: Inventory: Withdrawals

NB: Kindly note that the current chart V6.7 accommodates the recording of bulk purchases water under Current Liabilities: Trade and Other Payable Exchange Transactions: Payables and Accruals: Inventory as well as Current Liabilities: Trade and Other Payable Exchange Transactions: Bulk Water. Municipalities are encouraged **not** to utilise this account: Trade and Other Payable Exchange Transactions: Bulk Water (Linked to Expenditure Bulk Purchases).

*m*SCOA prescribes that Water Inventory be recorded under Current Liabilities: Trade and Other Payable Exchange Transactions: Payables and Accruals: Inventory in terms of GRAP 12 on inventories. The item Trade and Other Payable Exchange Transactions: Bulk Water will be retired within V6.8 and a new item under Trade and Other Payable Exchange Transactions: Payables and Accruals: Water Inventory will be created.

4.14 *Exchange Revenue: Service Charges: Water*

Municipal Debt Relief condition 6.6.1 requires the municipality to issue a consolidated bill to all consumers/ property owners. Parallel to issuing the monthly consolidated bill the municipality must record in terms of *m*SCOA the water component of the consolidated bill as follows – the municipality must identify the relevant water income generating line item from the chart of accounts that is provided under Item Exchange Revenue: **IR002006004** and Trade and other Receivables from Exchange Transactions: **IA001010003007**

4.15 *Receipts of Water Revenue in Municipal Bank Account*

Municipal Debt Relief condition 6.6.1 requires the municipality to issue a consolidated bill to all consumers/ property owners and then allocate all partial payments received in the following order of priority: firstly, to property rates, thereafter to water, sanitation, waste and lastly to electricity. When allocating any receipts in terms of the consolidated bill, the municipality must consider the condition 6.6.1 order of priority and apply such first. Then only must the following *m*SCOA accounts be used to account for the receipt of the component of the water payments paid into the bank account:

IA001001001001001 Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits

IA00101000300700 Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Water: Collections

FD001001001008001 Fund: Operational: Revenue: General Revenue: Service Charges: Water

4.16 *Free Basic Services Formal Settlements: Water*

In terms of Municipal Debt Relief Condition 6.12 the municipality to apportion and ring-fence in a sub-account to its primary bank account the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic water.

The receipt of the LGES can be ringfenced through the function segment per trading services (electricity, water and sanitation). Consideration should be given to the allocations to the Free Basic Services (FBS) as per the LGES formula and should be incorporated in the Indigent Policy of the municipality.

The following *m*SCOA accounts be used to account for this in relation to water:

Receipt of Equitable Share

IR003005002002006002 – Revenue: Non-exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: National Revenue Fund: Equitable Share

FX01600100200000000 – Function: Energy Sources: Core Function: Water

4.17 *Free Basic Services Formal Settlements: Water*

To record the actual provision of Free Basic Water, municipalities must budget and transact for Free Basic Water for the indigent consumers under Project: Typical Workstreams; Item Revenue using the following *mSCOA* accounts:

PO00305700400000 – Operational: Typical Work Streams: Cost of Free Basic Services: Water (6KL per household per month)

IE01006400000000 – Expenditure: Operational Cost: Indigent Relief

4.18 *Unlimited Free Basic Services Formal Settlements: Water*

Some municipalities are not restricting Free Basic Water provided to indigent households to **the national policy limit of 6 kilolitre Free Basic Water. All water provided to indigent households above the national policy limit of 6 kilolitre must be recorded using the following *mSCOA* accounts:**

PO003058006000 – Operational: Typical Work Streams: Revenue Cost of Free Services: Water

4.19 *Free Basic Services: Informal Settlements*

Municipalities provide services for informal settlements these indigent consumers are often not billed by the municipality. The chart makes provision under typical workstreams to ringfence the expenditure items. The expenditure items will depend on the nature of the relief given to the indigent consumer which obtainable from the chart. The following *mSCOA* accounts can be used:

PO003060 – Operational: Typical Work Streams: Cost of Free Basic Services to Informal Settlements

IE003003 – Item Expenditure

4.20 *Example in illustration – Water*

Below is an example of how Muni XY receipts and capture the transaction after the approval of the municipal debt relief for the ringfencing of the Water receipts.

Example paragraph 4.12 above - Purchases of water: Receipt of invoice for bulk water purchased.

Segment	Debit	Credit
Project	Default	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	Assets: Current assets: Inventory: Water: System input Volume: Bulk Purchases	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Water Bulk Purchase: Deposits
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Water	Fund: Operational: Revenue: General Revenue: Service Charges: Water
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

Example paragraph 4.14 above – **Billing for Water Revenue**

In terms of Municipal Debt Relief Condition 6.6 the municipality must issue a consolidated bill to the municipal consumer/ property owner – the water component of the consolidated bill needs to be recorded as follows:

Segment	Debit	Credit
Project	Default	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	Assets: Current Assets: Trade and other Exchange Transactions: Trading Services and Customer Service debtors: Water: Monthly billing	Revenue: Exchange Transactions: Service Charges: Water: Sale : Conventional / Prepaid / Flat rate
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Water	Fund: Operational: Revenue: General Revenue: Service Charges: Water
Region	Per Ward	Per Ward
Costing	Default	Default

Example paragraph 4.15 above – Ringfencing the Receipts of Water Sales

Before allocating any consumer/ property owner payments to the consumer's account, to facilitate credit control, the municipality is required to consider and apply the order of priority²³ required in terms of Municipal Debt Relief Condition 6.6.1:

Segment	Debit	Credit
Project	Default	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits	Assets: Current Assets: Trade and other Exchange Transactions: Trading Services and Customer Service debtors: Water: Collections
Funding	Fund:Operational:Revenue: General Revenue: Service Charges: Water	Fund:Operational:Revenue: General Revenue: Service Charges: Water
Region	Per Ward	Per Ward
Costing	Default	Default

Paragraph 4.13 – Payment of Bulk Purchases: Water - Capturing the municipality's payment of the Water Board/ Water Authority invoice:

Segment	Debit	Credit
Project	Default	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	IL: Current Liabilities: Trade and other payables exchange transactions: Bulk Water: Withdrawals	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: Withdrawals
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Water	Fund:Operational:Revenue: General Revenue: Service Charges: Water
Region	Whole of Municipality	Whole of Municipality
Costing	Default	Default

²³ Condition 6.6.1 requires all partial payments received to be allocated in the following order of priority: firstly, to property rates, thereafter to water, sanitation, refuse removal and lastly to electricity.

Example paragraph 4.16 above – Free Basic Services Formal Settlements: Water (6kl per household)

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Cost of Free Basic Services: Water (6KL per household per month)	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	Revenue: Exchange Transactions: Service Charges: Water: Sale : Conventional	Assets: Current Assets: Trade and other Exchange Transactions: Trading Services and Customer Service debtors: Water: Monthly billing
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Water	Fund: Operational: Revenue: General Revenue: Service Charges: Water
Region	Per Ward	Per Ward
Costing	Default	Default

Example paragraph 4.18 above – Unlimited Free Basic Services: Water

Some municipalities are not restricting Free Basic Water provided to indigent households to the national policy limit of 6kl Free Basic Water. All water provided to indigent households above the national policy limit of 6kl must be recorded using the following *m*SCOA accounts:

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Revenue Cost of Free Services: Water	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	Revenue: Exchange Transactions: Service Charges: Water: Sale : Conventional	Assets: Current Assets: Trade and other Exchange Transactions: Trading Services and Customer Service debtors: Water: Monthly billing
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Water	Fund: Operational: Revenue: General Revenue: Service Charges: Water
Region	Per Ward	Per Ward
Costing	Default	Default

Example paragraph 4.19 above – Free Basic Services Informal Settlements: Water

Municipalities provide water services for informal settlements these indigent consumers are often not billed by the municipality:

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Revenue Cost of Free Services to Informal Settlements	Default
Function	Function: Water Management: Core: Water distribution	Function: Water Management: Core: Water distribution
Item	Expenditure: Contracted Services: Outsourced Services: Water Takers	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Primary Bank account: Withdrawals
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Water	Fund: Operational: Revenue: General Revenue: Service Charges: Water
Region	Per Ward	Per Ward
Costing	Default	Default

Guidance: Condition 6.12 – Waste Water

Sanitation is closely linked to water and although no bulk purchase is made, in terms of the municipal debt relief conditions, the revenue and expenditure relating to sanitation must be recorded as follows in terms of *mSCOA* to facilitate the required ring-fencing as required in terms of Municipal Debt Relief Condition 6.12.

4.21 Exchange Revenue: Service Charges: Waste Water

Municipal Debt Relief condition 6.6.1 requires the municipality to issue a consolidated bill to all consumers/ property owners. Parallel to issuing the monthly consolidated bill the municipality must record in terms of *mSCOA* the waste water component of the consolidated bill as follows – the municipality must identify the relevant waste water income generating line item from the chart of accounts that is provided under Item Exchange Revenue: **IR002006003** and Trade and Other Receivables from Exchange Transactions: **IA001010003006**

4.22 Receipts of Waste Water Revenue in Municipal Bank Account

Municipal Debt Relief condition 6.6.1 requires the municipality to issue a consolidated bill to all consumers / property owners and then allocate all partial payments received in the following order of priority: firstly, to property rates, thereafter to water, sanitation, refuse removal and lastly to electricity. When allocating any receipts in terms of the consolidated bill, the municipality must consider the condition 6.6.1 order of priority and apply such first. Then only must the following *mSCOA* accounts be used to account for the receipt of the component of the sanitation payments paid into the bank account:

IA001001001001001 Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits

IA001010003006005 Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Waste Water Management: Collections

FD001001001008004 Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water

4.23 *Accounting for the bulk invoice*

Item Liabilities _Deposits and Withdrawals - as noted above this item does not apply to waste water.

4.24 *Free Basic Services Formal Settlements: Waste Water*

In terms of Municipal Debt Relief Condition 6.12 the municipality to apportion and ring-fence in a sub-account to its primary bank account the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic sanitation (Waste Water).

The receipt of the LGES can be ringfenced through the function segment per trading services (Electricity, Water and Waste Water). Consideration should be given to the allocations to the Free Basic Services (FBS) as per the LGES formula and should be incorporated in the Indigent Policy of the municipality.

The following *m*SCOA accounts be used to account for this in relation to waste water:

Receipt of Equitable Share

IR003005002002006002 – Revenue: Non-exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: National Revenue Fund: Equitable Share

FX01500100200000000 – Function: Waste Water Management: Core Function: Sewerage

4.25 *Free Basic Services Formal Settlements: Waste Water*

To record the actual provision of Free Basic Waste Water, municipalities must budget and transact for Free Basic Waste Water for the indigent consumers under Project: Typical Workstreams; Item Revenue using the following *m*SCOA accounts:

PO003057002000 – Operational: Typical Work Streams: Cost of Free Basic Services: Waste Water Management (free minimum level service)

PO003058005000 – Operational: Typical Work Streams: Revenue Cost of Free Services: Waste Water Management

4.26 *Free Basic Services: Informal Settlements*

Municipalities provide services for informal settlement these indigent consumers often are not billed by the municipality. The chart makes provision under typical workstreams to ringfence the expenditure items. The expenditure items will depend on the nature of the relief given to the indigent consumer which obtainable from the chart. The following *m*SCOA accounts can be used:

PO003060 – Operational: Typical Work Streams: Cost of Free Basic Services to Informal Settlements

IE003003 – Item Expenditure

4.27 **Example in illustration – Waste Water**

Below is an example of how Muni XY receipts and capture the transaction after the approval of the municipal debt relief for the ringfencing of the Waste Water receipts.

Example paragraph 4.21 above – **Billing for Waste Water Revenue**

In terms of Municipal Debt Relief Condition 6.6 the municipality must issue a consolidated bill to the municipal consumer / property owner – the water component of the consolidated bill needs to be recorded as follows:

Segment	Debit	Credit
Project	Default	Default
Function	Function: Waste Water Management: Core Function: Sewerage	Function: Waste Water Management: Core Function: Sewerage
Item	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Waste Water Management: Monthly Billing	Revenue:Exchange Revenue:Service Charges:Waste Water Management:Sanitation Charges
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water
Region	Per Ward	Per Ward
Costing	Default	Default

Example paragraph 4.22 above – Ringfencing the Receipts of Waste Water Sales

Before allocating any consumer/ property owner payments to the consumer's account, to facilitate credit control, the municipality is required to consider and apply the order of priority²⁴ required in terms of Municipal Debt Relief Condition 6.6.1:

Segment	Debit	Credit
Project	Default	Default
Function	Function: Waste Water Management: Core Function: Sewerage	Function: Waste Water Management: Core Function: Sewerage
Item	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Waste Water Management: Collections
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water
Region	Per Ward	Per Ward
Costing	Default	Default

Example paragraph 4.25 above – Free Basic Services Formal Settlements: Waste Water (free minimum level of service)

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Cost of Free Basic Services: Waste Water Management (free minimum level service)	Default
Function	Function: Waste Water Management: Core Function: Sewerage	Function: Waste Water Management: Core Function: Sewerage
Item	Revenue: Exchange Revenue: Service Charges: Waste Water Management: Sanitation Charges	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Waste Water Management: Monthly Billing
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water
Region	Per Ward	Per Ward
Costing	Default	Default

²⁴ Condition 6.6.1 requires all partial payments received to be allocated in the following order of priority: firstly, to property rates, thereafter to water, sanitation, refuse removal and lastly to electricity.

Example paragraph 4.26 above – **Free Basic Services informal Settlements: Waste Water**
Municipalities provide Waste Water services for informal settlement these indigent consumers often are not billed by the municipality:

Segment	Debit	Credit
Project	Operational: Typical Work Streams: Revenue Cost of Free Services to Informal Settlements	Default
Function	Function: Waste Water Management: Core Function: Sewerage	Function: Waste Water Management: Core Function: Sewerage
Item	Expenditure: Contracted Services: Contractors: Sewerage Services	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Primary Bank account: Withdrawals
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water	Fund: Operational: Revenue: General Revenue: Service Charges: Waste Water
Region	Whole of municipality	Whole of municipality
Costing	Default	Default

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