

S72 MIDTERM BUDGET STATEMENT AS AT 31 DECEMBER 2023**STATEMENT OF FINANCIAL PERFORMANCE, POSITION AND THE IMPLEMENTATION OF THE 2023/24 BUDGET (MFMA SECTION 72) FOR THE PERIOD ENDED DECEMBER 2023**

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1. PURPOSE

The purpose of the report is for the council to consider and note the statement of the financial performance and the implementation of the 2023/24 budget of the Umzimvubu Local Municipality for the period ending 31 December 2023.

To also inform Management and Council about ratio analysis of the current financial affairs of the municipality as outlined in MFMA Circular 72.

2. AUTHORITY

Council

3. LEGAL / STATUTORY REQUIREMENTS

The constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003 Chapter 8, Section 72

Municipal Budget Reporting Regulations

4. BACKGROUND

The Monthly budget statement is prepared in terms of section 72 of the Municipal Finance Management Act No 56, 2003 and Municipal Budget and Reporting regulations as per Government Gazette 32141.

The information in this report is the financial performance for the transaction processed up to the close of business on 31 December 2023 for the year ending 30 June 2024. This report has been compiled in order to comply with Section 72 of the MFMA

FINANCIAL IMPLICATIONS

The municipality is obliged to spend 40% of its conditional grants and failure to do so will result in the reduction of allocations.

Dashboard summary

Overall Operating Results			Cash Management	
Income	R257 771 240		Bank Balance - Current	R2 492 673
Expenditure	R156 318 171		Cash and Cash Equivalents	R144 729 151
Operating Surplus/Deficit	R101 453 069		Total Value of Investments	R141 936 478
			Total Investment - Own	R123 155 652
Capital Grants Results			Total Investments Grants	R18 780 826
Income / Received	R51 043 000		Operating Expenditure (Opex)	
Expenditure	R37 155 325		Operating Expenditure as a %	69%
Surplus (Capex)	R13 887 675		Debtors	
Capital Expenditure (Capex)				
Capital Expenditure as at December 2023			Property rates	R43 972 172
MIG		60%	Interest and VAT	R143 901
INEP		39%	Residential rentals	R0
			Lease rentals	R1 023 723
			Refuse	R12 011 910
			Payments	-R3 090 251
			Total Debtors	R54 079 711
			Payroll	
			Total staff compliment	206
			Total Number of Councillors Paid	55
Financial Ratios			Total staff compliment temporary staff and EPWP	223
Cash Balance	R2 492 673		Salary bill - Councillors for December 2023	R1 715 638
Cash coverage	3 months		Salary bill - Councillors for the year to date	R10 536 288
Spending of Operating Budget (Opex)	69%		Salary bill - Officials for December 2023	R7 323 335
Spending of Capital Budget (Capex)	73%		Salary bill - Officials for the year to date	R48 336 776

Spending on Repairs and Maintenance	29%		
Current Ratio	3.15	Subsistence & Travelling Expenditure	
Liquidity Ratio	3.04	Subs & Travelling - Councillors for December 2023	R129 436
Current Debtors Collection rate	37%	Subs & Travelling - Councillors for the year to date	R267 588
Spending on Staff wages and salaries (Budget vs Actuals)	54 %	Subs and Travelling- Officials for December 2023	R157 022
Spending on Councillors allowances (Operational Budget Vs Actuals)	46%	Subs & Travelling - Officials for the year to date	R663 572

BUDGET AND TREASURY DEPARTMENT: REPORT ON GRANT SPENDING FOR THE PERIOD 31 DECEMBER 2023

Purpose

Purpose of the report is for the Council to note and consider the spending on conditional and unconditional grants that the Municipality operates with.

Statutory requirements

The Constitution of RSA

MFMA

MBRR

Parties consulted

Infrastructure and Planning Department

Authority

Council

Financial Implications

The 60% spending on MIG and a 39% spending on INEP

Annexure

Month: December 2023													
UMZIMVUBU LOCAL MUNICIPALITY													
Ref No	Description	Total Allocation	Balance BF	Amount Received	Total Liability	Expenditure Operating	Capital	VAT	Total	Balance Unspent @ 31	% Spending	Allocation	Spending ³
1	MUNICIPAL INFRASTRUCTURE	51,384,000.00	110,743	42,043,000	42,153,743		27,194,722	3,774,665	30,969,387	11,184,356	73%	60%	
2	FINANCIAL MANAGEMENT	1,720,000.00	-	1,720,000	1,720,000	340,821	-	20,430	361,251	1,358,749	21%	21%	
3	ELECTRIFICATION PROJECT	15,850,000.00	-	9,000,000	9,000,000		5,379,077	806,862	6,185,938	2,814,062	69%	39%	
4	EXPANDED PUBLIC WORKS	2,754,000.00		2,042,000	2,042,000	2,754,000		-	2,754,000	-712,000	135%	100%	
5	ARIS AND CULTURE	750,000.00		750,000	750,000	233,725		473	234,198	515,802	31%	31%	
6	Municipal Disaster Relief Grant	3,500,000.00	3,500,000	-	3,500,000	2,010,384		301,558	2,311,942	1,188,058	66%	66%	
7	Human Settlement Housing Project	139,363,686.00	88,259	1,315,125	1,403,384		1,315,125	-	1,315,125	88,259	100%	1%	
Grand total		215,321,686	3,699,002	56,870,125	60,569,127	3,328,546	32,573,799	4,602,430	40,504,774	16,437,285	67%	19%	

Remedial actions

For the Bid committees to fast-track awarding of Electrification contracts

BUDGET AND TREASURY DEPARTMENT:REPORT ON UIFWE FOR THE PERIOD 31 DECEMBER 2023

Purpose

Purpose of the report is for the Council to note and consider the UIFWE incurred by the Municipality for the period ending 31st of December 2023

Background

Umzimvubu Local Municipality incurred fruitless and wasteful expenditure amounting to R864 042 in the prior years as a result of fraud incidents that led to the municipality losing money.

As it stands, R818 034 relates to the amount affecting the bank where investigations are not yet concluded and the R23 003.88 related to the amount affecting a deceased employee where it was concluded that it should be recovered from his estate and we are still waiting for the high court ruling in that regard.

Statutory requirements

The Constitution of RSA

MFMA

MBRR

Parties consulted

None

Authority

Council

Financial Implications

FRUITLESS AND WASTEFUL EXPENDITURE

The amount of R841 038 which relates to fruitless and wasteful expenditure after the recovery of R23 003.88 from the affected employees.

UNAUTHORISED EXPENDITURE

This is impairment of infrastructure assets of R5 607 071 that were damaged due to heavy rains and was not budgeted for. Furthermore due to the slow rate of payments of debtors, there was impairment of receivables from exchange and non exchange transactions of R6 046 572 recognised at year end inline with GRAP 104 requirements. This unauthorised expenditure is a non-cash expenditure.

IRREGULAR EXPENDITURE

The municipality has a maintenance contract with a service provider however the service provider constructed a bridge which is outside the scope of work with a value of R4 500 000 which led to irregular expenditure.

Annexure

EC442					
Register for Irregular, fruitless and wasteful expenditure 2023/24 FY					
	Opening balance	Additions	Write off	Recovered	Balance as at 31/12/2023
Unauthorized expenditure	-	11,030,132.00	-	-	11,030,132.00
Irregular expenditure	-	4,500,000.00	-	-	4,500,000.00
Fruitless and Wasteful expenditure	841,038.12	-	-	-	841,038.12
	841,038.12	15,530,132.00	-	-	16,371,170.12

Remedial action

The municipality will adjust the budget at midterm to cater for impairment losses incurred at year end using the prior year figures as a baseline.

The panel of maintenance service providers will be given the scope of work as per the original BOQ which was used during the tendering process to avoid diverting from the original scope.

BUDGET AND TREASURY DEPARTMENT: REPORT ON VAT FOR THE MONTH ENDED 31 DECEMBER 2023 REPORT.

PURPOSE

The purpose of the report is for the council to consider and note the VAT report of the Umzimvubu Local Municipality for the period ending 31 December 2023.

AUTHORITY

Council

LEGAL / STATUTORY REQUIREMENTS

The constitution of the Republic of South Africa, 1996
Municipal Finance Management Act No 56, 2003
Value Added Tax (VAT) Act of 1991

BACKGROUND

ULM is a VAT vendor as required by the VAT Act of 1991.

The municipality monthly is obligated by the VAT act to collect and pay over the portion of VAT that is owing to the Receiver of Revenue.

To ensure that all VAT that is due to the municipality is recovered within a reasonable period.

The information in this report is the VAT for the transaction processed up to the close of business on 31 December 2023 for the year ending 30 June 2024.

DISCUSSION

- SARS requires that ULM submitted VAT returns by the 25th of each month following the month submitted for.

- The submission consists of Input VAT which is tax added when the municipality procures good and services and Output VAT which is tax charged by the municipality on services rendered to the community.
- Therefore, ULM submit to SARS the Net off Input and Output VAT
- When Input VAT is more that Output SARS will refund the amount to ULM
- When Input is lesser than Output, ULM will pay SARS.
- The table below is the summary of VAT refundable as from July 2023 to-date.

VAT RETURNS SUMMARY REPORT						
Month	VAT Input	VAT Output	Submitted	Received	Difference	Comment
July'2023	3 232 725.34	- 47 853.54	3 184 871.80	3 184 871.80	-	N/A
Aug'2023	2 757 892.40	- 49 025.87	2 708 866.53	2 708 866.53	-	N/A
Sept'23	2 717 867.67	- 159 014.68	2 558 852.99	2 558 852.99	-	N/A
Oct'23	2 850 789.06	- 32 674.24	2 818 114.82	2 818 114.82	-	N/A
Nov'23	3 592 778.00	- 10 164.24	3 582 613.76	3 582 613.76	-	N/A
Dec'23	4 803 176.04	- 124 904.33	4 678 271.71	-	4 678 271.71	Submitted, under review by SARS
			-	-	-	
			19 531 591.61	14 853 319.90	4 678 271.71	

BUDGET AND TREASURY DEPARTMENT: REPORT ON COST CONTAINMENT MEASURES FOR THE MONTH ENDED 31 DECEMBER 2023 REPORT

PURPOSE

The purpose of the report is for the council to consider and note the Cost Containment Measures report of the Umzimvubu Local Municipality for the period ending 31 December 2023.

AUTHORITY

Council

LEGAL / STATUTORY REQUIREMENTS

Municipal Finance Management Act No 56, 2003
COGTA and National Treasury Circular of the 1st of July 2019
Umzimvubu Cost Containment Policy

BACKGROUND

Section 65 of the MFMA states that the accounting officer of a municipality is responsible for the management of the expenditure of the municipality.

The national government has been aware of the need to contain costs and Cabinet resolved that all spheres of government, including municipalities and municipal entities must implement measures to contain operational costs and eliminate all non-essential expenditure. In reinforcing the above, the Minister of Finance also announced further cost containment measures and a circular was issued in this regard which urged Municipal Manager's and Mayors of municipalities to exercise and oversee the elimination of wasteful expenditure.

The information in this report is the performance of the municipality against Cost Containment Measures on the transaction processed up to the close of business on from July 23 to date.

Cost Containment Report as of 31 December 2023						
Cost Containment Measures	Quarter one			Quarter Two		
	Budget	Expenditure	Savings	Budget	Expenditure	Savings
	R'000	R'000	R'000	R'000	R'000	R'000
Use of consultants	4 465 068.50	3 293 224.97	1 171 843.53	4 465 068.50	5 227 097.20	- 762 028.70
Vehicles used for political office - bearers	-	-	-	-	-	-
Travel and subsistence	322 299.00	336 178.42	- 13 879.42	322 299.00	594 980.50	- 272 681.50
Domestic accommodation	1 561 955.75	613 927.26	948 028.49	1 561 955.75	1 188 446.95	373 508.80
Sponsorships, events, and catering	1 177 627.50	456 966.90	720 660.60	1 177 627.50	853 774.00	323 853.50
Communication	915 403.75	146 685.03	768 718.72	915 403.75	786 895.11	128 508.64
Other related expenditure items	-	-	-	-	-	-
	8 442 354.50	4 846 982.58	3 595 371.92	8 442 354.50	8 651 193.76	- 208 839.26

Remedial action

Based on the above table, the municipality needs to reduce S&T expenditure by making use of the available infrastructure e.g conference facilities and avoid travelling outside the municipal jurisdiction to hold meetings.

BUDGET AND TREASURY DEPARTMENT: REPORT ON PAYMENT OF CREDITORS FOR THE MONTH ENDED 31 DECEMBER 2023
REPORT

PURPOSE

The purpose of the report is for the council to consider and note the Payment of creditors report of the Umzimvubu Local Municipality for the period ending 31 December 2023.

AUTHORITY

Council

LEGAL / STATUTORY REQUIREMENTS

The constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003

Supply Chain Management Policy

Subsistence and Travel Policy

BACKGROUND

According to MFMA the municipality must pay all its creditors with 30 days of receipt of a valid invoice.

Umzimvubu Local Municipality due to it being rural and dealing with SMME's in most cases developed its own Standard Procedure Manual to pay its creditors every Friday.

ULM has adopted a weekly payment run.

ULM has a Policy which clearly states that all invoices must be submitted by not later than Tuesday for payment, any invoice received after Tuesday will be paid in the next payment run.

DISCUSSION

As part of their daily responsibilities, the expenditure section works with user departments, receive invoices from service providers, assess such invoice and agree to all the details in the invoice.

After that stage it is when by law the municipality can declare that they have received an invoice for payment.

The invoice is then date stamped and must be paid within 30 days from the date of the stamp.

Below is a summary of creditors paid during the year:

EXPENDITURE SUMMARY REPORT				
		No of Creditors, Invoices & Paid within 30 days		
Month	Amount Paid	Received	Difference	Paid after 30 days
July'23	32 693 321.60	111	32 693 210.60	None
August'23	30 805 386.87	199	30 805 386.87	None
September'23	29 243 081.83	162	29 243 081.83	None
October'23	25 685 807.57	167	25 685 807.57	None
November'23	42 192 691.76	235	42 192 691.76	None
December'23	51 051 316.95	208	51 051 316.95	None
	-		-	
	211 671 606.58	-	211 671 495.58	

CHALLENGIES

- Incomplete documentation on the voucher

- Upon submission of full vouchers, inconsistency on the voucher vs invoices.
- Late submission of payment vouchers
- Submission of Invoices with closed account by Suppliers

REMEDIAL ACTION

- User Department to make sure all the supporting documents needed per voucher are attached before submitting for payment.

BUDGET AND TREASURY DEPARTMENT: DEBTORS AND REVENUE COLLECTED REPORT AS AT 31 DECEMBER 2023

PURPOSE

To report to Council about revenue received by the municipality for the month of DECEMBER 2023.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

STATUTORY

S64 of the MFMA No 56 of 2003 -Revenue management

BACKGROUND AND REASONING

The report seeks to report to Council on outstanding and revenue generated for the period December 2023 and an analysis of revenue generated against the annual budgeted revenue. Umzimvubu Local Municipality's billing is comprised of property rates, refuse removal and rentals for municipal facilities.

The above-mentioned billing is for different classes of property owners such as businesses, residential and government properties where: -

- Property rates is charged based on property values multiplied by council approved tariff,
- Refuse removal is charged at a flat rate for different property types.
- Interest is charged at 10% per annum for all outstanding debtors.

DEBTORS ANALYSIS BY TYPE

Consumer debtors

Row Labels	Sum of TOTAL
[-] Advance Payments	-3 057 585
Consumers	-3 057 585
[-] Exchange	10 214 132
Waste Management	9 222 126
Interest	992 006
[-] Property Rates by Usage	41 826 104
Business and Commercial Properties	20 875 391
Public Service Infrastructure Properties	49 316
Public Service Purposes Properties	11 607 934
Residential Sectional Title Garages	6 068 038
Vacant Land	1 446 628
Interest	1 778 797
Grand Total	48 982 652

Sundry debtors

Row Labels	Sum of Total
LEASE RENTALS	847 808.10
PAYMENTS	-772 923.09
RESIDENTIAL RENTALS	36 024.88
VAT LEVIED	121 464.06
Grand Total	232 373.95

The total amount outstanding for rates, refuse and rentals owed to the Municipality as of DECEMBER 2023 was R 48 982 652.00 which includes the current amount due but not yet payable.

The overall collection for the current year collection amounted to R 17 722 119.50 against billing of R 46 418 351.72 translating to 76% collection rate.

Collection for the month of December 2023 amounted to 596 219.87 against billing of 929 845.72 translating to 61% as shown in the table below which is due to payment of arear rates by department of public works.

SUMMARY OF PAYMENTS RECEIVED AGAINST BILLING FROM JULY TO DECEMBER 2023:

Collection Analysis			
Period	Billing	Collection	Coll. %
Jul-23	41 818 373.44	- 596 777.07	-1%
Aug-23	1 868 690.91	- 10 472 966.14	-560%
Sep-23	935 899.27	- 1 091 152.15	-117%
Oct-23	930 372.70	- 1 269 472.02	-136%
Nov-23	935 170.18	- 3 722 532.25	-398%
Dec-23	929 845.22	- 569 219.87	-61%
Total	47 418 351.72	- 17 722 119.50	-37%

INCENTIVE SCHEME

Below are figures depicting progress on the implementation of the 90:10 incentive scheme since from July 2023 to December 2023.

Write-offs	4 191 757.68
Payments	604 074.48

Staff and Councillor's debt 30 DECEMBER 2023.

ERF Number	Town	Account holder	Total
75	Mount Ayliff	Cllr Garane	133.55
521	Mount Frere	Cllr Mdzinwa	1 151.42
238	Mount Ayliff	GPT Nota	2 342.74
540	Mount Frere	Mr GPT Nota	3 809.10
3823	Mount Ayliff	Mr T Mbukushe	- 226.33
			7 436.81

Staff & Councillor's debt amounts to R 7 436.81 as at December 2023.

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

An amount of R 569 219.87 has been collected for the month of December 2023.

SERVICE DELIVERY IMPLICATIONS

N/A.

OTHER PARTIES CONSULTED

None

ANNEXURES

Debtor's age analysis and collection analysis report.

CHALLENGES

The main challenge with debt collection is the old debt that has accrued interest.

BUDGET AND TREASURY DEPARTMENT: FREE BASIC SERVICES / INDIGENT REPORT AS AT 30 DECEMBER 2023

PURPOSE

To report to the Council on Free basic services for the month of December 2023.

LEGAL REQUIREMENTS

Constitution of the Republic of South Africa, 1996.

Local Government: Municipal Systems Act, No 32 of 2000.

STATUTORY

Constitution of the Republic of SA – section 27 (1) (c).

Local Government Municipal systems act- section 73 (1) (c).

BACKGROUND AND REASONING

The municipality's CAAT's verified indigent register is made up of 4227 approved indigents. Indigent beneficiaries are subsidized with monthly subscription on solar, 50kWh subsidy of electricity supplied by Eskom and paraffin as another means of alternative electricity.

Paraffin applications are being captured, 1049 has been verified with 229 failed and 820 met the indigent criteria.

The table below presents indigent beneficiation per type of service: -

Type of service	Number of beneficiaries	Status
Solar	1990	Service provider has just been appointed.
Electricity (ESKOM)	949	Monthly subsidies.
Paraffin	N/A	<ul style="list-style-type: none"> Paraffin applications are being captured, 1049 has been verified with 229 failed and 820 met the indigent criteria. We continue to accept applications until the service provider is appointed for the project.

LABOUR IMPLICATIONS

None

FINANCIAL IMPLICATIONS

Expenditure incurred as at December 2023 amounted to R 391 904.81

SERVICE DELIVERY IMPLICATIONS

Provision of free basic services.

BUDGET AND TREASURY DEPARTMENT: REPORT ON COLLECTION OF TRAFFIC FINES AS AT 30 DECEMBER 2023.

PURPOSE

To report to Council on revenue for Traffic fines.

LEGAL REQUIREMENTS

Municipal Finance Management Act no 56 of 2003

National Road Traffic Act No. 93 of 1996.

STATUTORY

S64 of the MFMA No 56 of 2003 –Revenue management

BACKGROUND AND REASONING

Period	Fines issued			Payments	Outstanding balance
	Section 56	Section 341			
Opening balance	8 183 316.00		8 183 316.00	-	8 183 316.00
Jul-23	200 000.00	73 300.00	273 300.00	31 100.00	242 200.00
Aug-23	205 100.00	40 800.00	245 900.00	57 550.00	188 350.00
Sep-23	172 650.00	30 800.00	203 450.00	56 790.00	146 660.00
Oct-23	83 300.00	24 850.00	108 150.00	39 300.00	68 850.00
Nov-23	95 860.00	45 820.00	141 680.00	29 150.00	112 530.00
Dec-23	86 500.00	26 900.00	113 400.00	15 800.00	97 600.00
Total	9 026 726.00	242 470.00	9 269 196.00	229 690.00	9 039 506.00

LABOUR IMPLICATIONS

None.

FINANCIAL IMPLICATIONS

Payments received for traffic fines as of December 2023 amounted to R 229 690.00

SERVICE DELIVERY IMPLICATIONS

Municipality's inability to fund operations.

OTHER PARTIES CONSULTED

ULM Traffic Services Department.

ANNEXURES

Schedule of payments for traffic fines.

CHALLENGES

Prior year traffic fines remain unpaid.

REMEDIAL ACTION

Law enforcement to come up with strategies to collect old traffic fines.

BUDGET AND TREASURY DEPARTMENT: SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD ENDING 31 DECEMBER 2023

PURPOSE

The purpose of the report is for the council to consider and note the statement of the financial performance and the implementation of the **2023/24** budget of the Umzimvubu Local Municipality and Supply Chain Management policy implementation for the period ending **30 June 2024**.

AUTHORITY

Council

LEGAL / STATUTORY REQUIREMENTS

The constitution of the Republic of South Africa, 1996
Municipal Finance Management Act No 56, 2003 Chapter 8, Section 72
Supply Chain Management Regulations
Preferential Procurement Policy Framework Act

DISCUSSION

Quotations Register

A total number of 14 Quotations have been awarded at an amount of **R2 128 674.00** with a local beneficiation of **87%** Annexure A with detailed information for Quotations awarded has been attached for the Month of **31 December 2023**.

Tenders Register

A total number of 10 tenders were awarded with at an amount of **R21 071 623.54** with **51.24%** local beneficiation.

- Annexure B with detailed information of Tenders awarded have been attached for the month of December 2023.

Fuel Reconciliation

- Fuel expenses for all municipal fleet for the amount is an amount of **R93 049.52** and Fleet Repairs an amount of **R18 607.50** for the month of **31 December 2023**.
- Annexure C for Fuel Reconciliation has been attached.

Inventory Reconciliation

- Inventory on hand is valued at an amount of **R 432 814.02** for the month of **December 2023**.
- Annexure D for Inventory Reconciliation has been attached.

Procured Goods

- Threshold of 0-2000, an amount of **R8 579.00** has been procured through CSD with requesting
- one quotation as per SCM Processes local SMMEs have benefited 100%.
- Procured goods to a value of R2001-R30 000 a Total of **R502 890.00** has been procured and
- local SMMEs have benefited 100%.

Annexures

- **Annexure A** Quotation Register December 2023.
- **Annexure B** Tender Register December 2023.
- **Annexure C** Fuel Reconciliation December 2023.
- **Annexure D** Inventory Reconciliation - December 2023.
- **Annexure E** Status of Tenders- December 2023.
- **Annexure F** SDBIP Report for the month of December 2023.
- **Annexure G** Procured Goods for the month of December 2023.

Recommendation

That the mid-term report for the 2023/24 financial year be noted by the Council