

3RD QUARTER FINANCIAL REPORT AS AT 31 MARCH 2023

5/18/1

EXCO: APRIL 2023

REPORT OF THE CHAIRPERSON FOR THE PORTFOLIO COMMITTEE OF GOVERNANCE, ADMIN, BUDGET AND TREASURY

1. PURPOSE

The purpose of this report is to table the 2ND Quarter Financial Report as per Section 71, 52,72, and Section 66 of the MFMA.

2. LEGAL REQUIREMENTS

Municipal Finance Management Act 56 of 2003

3. BACKGROUND

In terms of section 52 of the Municipal Finance Management Act 56 of 2003(MFMA) "The Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality".

In terms of Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), "The Accounting Officer of a municipality must, in a format and for periods as may be prescribed, report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits and in a manner that discloses such expenditure per type of expenditure.

In terms of section 71 of the Municipal Finance Management Act 56 of 2003 (MFMA) "The Accounting Officer of a municipality must no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant Provincial Treasury a statement in the prescribed format on the state of the municipality's budget

In terms of section 72 of the Municipal Finance Management Act 56 of 2003(MFMA) "The accounting officer of a municipality must, by 25 January of each year:

(a) assess the performance of the municipality during the first half of the financial year, taking into account –

(i) The monthly statement referred to in section 71 for the first half of the financial year.

(b) Submit a report on such assessment to -

- (i) The Mayor of the Municipality
- (ii) The National Treasury and
- (iii) The relevant Provincial Treasury

The accounting officer must as part of the review-

- (a) Make recommendations as to whether an adjustment budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

3.1 MUNICIPAL BUDGET AND REPORTING REGULATIONS

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and enhancing medium term planning and policy choices on service delivery.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process, and other relevant matters as required by the Act.

3.2 FINANCIAL OVERVIEW

The YTD Budget statement summary shown in the table below is prepared on a similar basis to the prescribed budget format, detailing Operating Revenue, Expenditure and Capital Expenditure.

- The YTD actual revenue billed is below the YTD budget by 3 % and is at 77% of the YE Budget. The YTD operating expenditure is below the YTD budget by 7% and the actual is 65 % of the YE budget. The YTD expenditure of the capital budget reflects 23% of YE budget as 31 March 2023.

Key Financial drivers

- Scaling down of the Economy in Lephalale as result of the completion of Medupi Project, short coming of Covid has resulted in the closing of shops, migration of people out of town and increasing Vacant houses and has put pressure on consumer affordability due to high rate of unemployment, high debt book and low collection of revenue

- Impact of ongoing Load shedding and a hike in electricity charges has resulted in Consumers switching over to other sources of energy which includes solar and Gas.
- Migration from Post-paid to Prepaid Electricity in February 2022 due termination of Bhelela contract has resulted in the billing queries especially Electricity. Verification of historical consumption of customers after migration to post-paid system is on progress and corrections will be effected end of May 2023.
- The Service Provider for the Prepaid electricity Metering has been appointed effective from 1 December 2022. As at 31 March 2023 over 70% of the system was ready to move to Prepaid. The Municipality accelerating the Projects to ensure that all customers are moved to prepaid system end of May 2023. Migration to prepaid will improve the credibility of billing will reduce the queries.
- The municipality has aligned the billing cycle to the pay date to improve on revenue collection. The Billing cycle period of the municipality is normally 30 and 31 days.
- The Revenue enhancement Project on Progress the service Provide is currently busy with the AS IS situation analysis Revenue Management system to identify the gaps in the revenue management system. This will assist the Municipality to bill cost reflective tariffs.
- Municipality has revised the implementation plan and is accelerating Projects by increasing resources and delivery of Materials.
- The revenue enhancement, cost containment and reduction of UIFW'S strategies are in progress.
- The municipality had an opening balance of R304 Millions of UIFWs in 2022/23 Financial Year. The amount of R243 million has been processed in the 3rd Quarter. The balance of R66 Million will be investigated and Processed before the end of June 2023.
- Municipality is exploring the opportunity for new revenue sources which includes Solar and Grey water to sustain the revenue collection. A tender for investment summit has been awarded to show case the competencies of Lephalale and to attract investors. The tender vision 2050 has been advertised to ensure Long term sustainability of the organisation.

3.2.1 OPERATING REVENUE

Description	2021/22	Budget Year 2022/23							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	YE Variance
R thousands								%	
Revenue By Source									
Property rates	95,852	112,987	112,987	9,150	77,608	84,740	(7,132)	-8%	69%
Service charges - electricity revenue	172,448	251,439	239,926	13,537	127,052	179,945	(52,893)	-29%	53%
Service charges - water revenue	44,189	69,974	64,974	4,510	40,791	48,730	(7,940)	-16%	63%
Service charges - sanitation revenue	22,766	25,851	25,851	1,972	17,782	19,388	(1,607)	-8%	69%
Service charges - refuse revenue	15,409	20,661	20,661	1,653	13,179	15,495	(2,317)	-15%	64%
Rental of facilities and equipment	156	329	329	11	112	247	(135)	-55%	34%
Interest earned - external investments	4,193	2,299	5,099	1,427	8,549	3,824	4,726	124%	168%
Interest earned - outstanding debtors	45,262	36,698	48,204	4,739	39,994	36,153	3,841	11%	83%
Fines, penalties and forfeits	514	727	727	66	747	545	202	37%	103%
Licences and permits	10,373	8,712	-	-	-	-	-	0%	0%
Agency services	-	-	8,712	765	5,384	6,534	(1,149)	-18%	62%
Transfers and subsidies	187,503	207,993	207,993	56,929	205,645	155,994	49,651	32%	99%
Other revenue	7,310	4,001	4,001	136	1,868	3,001	(1,132)	-38%	47%
Total Revenue (excluding capital transfers and contributions)	605,974	741,670	739,463	94,896	538,712	554,597	(15,885)	-3%	73%

SUMMARY OPERATING REVENUE

Total revenue reflects the YTD actual variance of 3% against the YTD budget and 73% at YE.

In 2022/23 Financial Year the Municipality has effected an increase of 4,8% other services charges except for electricity Charges of 7,4% as per Nersa and 30% of water consumption charge to incorporate the extraction of raw water from Mokolo Dam to comply with Water licence.

- Property rates:** The YE Actual vs Budget variance is 8% and 69% at YE. The municipality is busy with the Transfer of property from Municipality to beneficiaries at Marapong. Supplementary valuation for Private entities, Farms and Government properties was conducted in March 2023 to enhance Revenue and to ensure that properties are billed correctly.
- Electricity**
 The YTD Actual vs Budget variance of 29% and 53% of the YE Budget is mainly due to the impact of rolling blackouts /Load shedding and consumers switching over to other sources of Revenue solar and diesel.
 Municipality is accelerating the prepaid electricity project and will switch over from post-paid Electricity to Prepaid electricity end of May 2023.
 The municipality is also experiencing high electricity billing queries during manual readings.

- **Water**

A negative YTD Actual vs Budget variance of 16% and 63% of the YE Budget mainly due to the reduction in consumption and increased water losses. The supply and delivery of water at the informal settlements to curb the spread of Covid 19 including the increasing pipe burst as a result of ageing infrastructure (asbestos pipes). Municipality should introduce flat rate at the Villages to cover the cost of supply.

The Consultant has been appointed on the 26 October 2022 for the technical report and designs for the replacement of AC pipes and Upgrading of Water Network in Marapong

- **Sanitation** - A negative YTD Actual vs Budget variance of 8% and 69% of the YE Budget, is mainly due to the impact of Covid 19, as businesses have closed, and some consumers are unemployed has left town to go to villages.

- The impact of ageing infrastructure has resulted into ongoing spillages.

The Consultant has been appointed on the 26 October 2022 for the technical report and designs for the refurbishment and Upgrading of Sewer Pump Stations, Network Pipes and Replacement of AC pipes in Town and Onverwacht

- **Refuse** - A negative YTD Actual vs Budget variance of 15% and 64% of the YE Budget, mainly due to the impact of Covid 19, as businesses have closed, and some consumers are unemployed has left town to go to villages.

- **Rental of Equipment and facilities** – YTD Negative variance of 55 % and 34 % of the YE Budget. Less Revenue was realised on rental of municipal facilities i.e Thusong Centre and Stadiums than expected.

- **Investment revenue** – YTD budget variance mainly due low spending on Grant Funded Projects. The municipality has taken short term investments for the working capital and Grants received which has yield investment revenue.

- **Interest on outstanding debtors**- A positive variance of 11% and 83% of the YE Budget mainly due to high debt book. Municipality is reviewing the debt book and items has been prepared to council for write- off Indigents, Prescribed debts, sequestrated, liquidated and deregistered businesses.

- **Fines and Penalties**

YTD budget variance mainly due mainly due more fines and penalties charged during Ester weekend.

- **Transfers and subsidies** – YTD actual are higher than budget due to the timing of the allocation of trenches from National Treasury (July, December & March). All tranches of Grants for the 3rd quarter have been received. The amount includes Equitable share.

- **Agency Fees** – YTD Positive variance of 18 % and 62% of the Year End budget is due to the correct allocation of agency fees for the Department of Roads and Transport.
- **Other Revenue** – YTD variance of 38% and 47 % of YE budget mainly due to the slow recovery of the Economy, revenue was realised on the sundry income.

3.2.2 OPERATING EXPENSES

Description	Budget Year 2022/23						
	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	YE Variance
R thousands						%	%
Expenditure By Type							
Employee related costs	236,854	241,519	157,488	179,992	(22,503)	-13%	65%
Remuneration of councillors	12,921	13,798	10,055	10,348	(293)	-3%	73%
Debt impairment	17,620	22,620	11,749	5,655	6,094	108%	52%
Depreciation & asset impairment	97,155	92,155	69,116	62,414	6,702	11%	75%
Finance charges	14,896	14,896	4,994	9,683	(4,689)	-48%	34%
Bulk purchases - electricity	146,424	144,424	107,843	101,460	6,383	6%	75%
Inventory consumed	58,970	52,116	30,289	35,919	(5,629)	-16%	58%
Contracted services	70,909	67,810	32,997	42,284	(9,287)	-22%	49%
Transfers and subsidies	1,024	1,024	417	768	(351)	-46%	41%
Other expenditure	83,103	87,307	51,265	62,417	(11,151)	-18%	59%
Total Expenditure	739,876	737,669	476,215	510,939	(34,724)	-7%	65%

Employee Costs and Remuneration of Councillors

Employees related costs: The YE actual variance is 13% lower than the YTD budget and 65% of the YE Budget mainly due to delays in filling of vacant positions. Management has implemented strategy to filling on critical vacancies. YE Employee related cost constitutes 35% of Total YTD expenditure. Management has put mechanism in place to mitigate overtime.

All positions for Executive management has been filled except for EM development Planning.

The remuneration of councillor's: YTD actual variance is 3% above the YTD Budget and 73% against the YE budget. This is due to the implementation of the Upper limit Circular of Councillors. This requires upward adjustment of the budget. The Exco Members are fulltime.

Debt Impairment

YTD actual variance is 108% below then YTD Budget and 52% YE budget

The debt impairment is calculated according to the credit control and debt collection policy. The debt impairment is high debtors' book as result of low collection. Short comings of Covid and hard economic conditions has led job losses, migration from town, shop closing resulted into consumers not paying their debts on time. The migration from Prepaid to Post-paid electricity has led to an increase Billing queries The provision has been made for the YTD actual.

Depreciation

YTD actual variance is 11% below then YTD Budget and 75 % against the YE budget

Depreciation is based on straight-line method over the useful life of the assets. Infrastructure assets account for most of the amount. The assets include movable assets i.e., office furniture, vehicles, equipment, and Immovable assets includes Community Assets, Smart meters etc.

Asset management module has been implemented and Depreciation will be system generated. The correct unbundling of depreciation items has been concluded .The asset verification in underway to be finalised by 30 June 2023 and an update processed in the EMS system. The provision has been made for the YTD actual to ensure completeness of reports.

Finance Charges:

YE actuals shows the variance of 48 % against the YTD budget and 34 % of the YE Budget. The Bulk of the re- payment is directed to repayment loans other than on interest on long term loan. The expenditure is mainly driven by the provision land fill site and the employee related cost mainly assessed and processed at Year End.

The Municipality has taken a loan from DBSA for the upgrade of the Civic Centre. The loan will be paid up in March 2023. Financial lease was entered with Exxaro for the purchase of the Zeeland Water treatment plant. The loan will be paid up in 15 Years and will be paid up in 2027,

Bulk purchases: Electricity

The negative YTD variance is 6 % against the YTD budget and 75% of the YE Budget The over expenditure is mainly due the increase in consumption due new connections. Municipality has currently installed the check metres to verify the Electricity consumption from Eskom. The municipality is currently reviewing Eskom billing to assess the impact of Loading

Inventory Consumed

YTD actuals shows the variance of 16% which is lower than the YTD budget and 58 % of the YE budget.

Inventory consumed has included the payment for the abstraction of Raw Water from Mokolo Dam. Bulk water and has been accounted for in line with treasury guidelines. The expenditure is mainly affected by the supply of free water to meet the basic service needs for Rural Communities and Informal settlements. Less material has been drawn from the stores than expected.

Transfer and subsidies

YE actuals shows the variance of 24% which is lower than the YE budget and 38% of the YE budget. Mainly due to late submission of the financial statements by the Beneficiaries for social responsibility.

Contracted Services

YTD actuals shows the variance of 22% and 49% of YE Budget. This expenditure relates to EAP and medical Services due to the lower COVID cases, Investigation of UIFW's which is in progress. Municipality is fast tracking Prepaid Electricity metering to ensure that the Prepaid Electricity Metering System is installed by end of May 2023. Valuer and Debt collection expenditure are mainly due to Revenue Enhancement, acceleration of debt Collection and full implementation credit control and debt collection policy. Additional specialised security has been requested for manage sporadic protestors /Riots from delaying Service deliver

Contracted Services

DESCRIPTION	2022/23	YTD Actual	YTD Variance	Variance %	Remarks
Consultants and Professional Services	ADJ	Q3	Q3	Q3	
Accounting and auditing Services	3,746,207	2,291,165	1,455,042	61%	
Forensic Investigation	2,520,468	1,967,004	553,464	78%	
Internal audit Outsourcing and audit Committee	916,371	447,682	468,689	49%	
Risk Management outsourcing	159,823	22,000	137,823	14%	Service provider for Fraud hot line appointed
Valuer	1,502,256	396,350	1,105,906	26%	
EAP and Medical Services	210,883	23,445	187,438	11%	
Legal Services	4,722,506	1,196,383	3,526,123	25%	
Total Consultants and professional Services	14,778,514	6,344,029	8,434,484	43%	
Maintenance services -Sanitation	8,251,495	2,520,852	5,730,643	31%	Most maintenance is performed in house
Maintenance services -Water	3,016,991	1,530,864	1,486,126	51%	
Maintenance services -Electricity	1,657,262	1,302,989	354,273	79%	
Maintenance services -Waste	661,010	387,918	273,091	59%	
Maintenance services -Roads ,Buildings & Storm water	1,785,000	257,047	1,527,953	14%	
Maintenance services -Road maintenance	1,272,039	809,183	462,856	64%	
Maintenance services -Vehicles	3,550,681	505,631	3,045,050	14%	
Total Repairs and maintenance	20,194,476	7,314,484	12,879,993	36%	
Prepaid vendors	14,074,258	7,283,858	6,790,400	52%	Installation of prepaid system in progress
Security	13,063,261	10,145,214	2,918,047	78%	
Hygiene services	566,799	210,534	356,265	37%	
Water Meter reading	633,049	392,748	240,301	62%	
Collection Cost	4,500,000	1,306,609	3,193,391	29%	
Total Outsourced Services	32,837,367	19,338,963	13,498,404	59%	
TOTAL	67,810,357	32,997,476	34,812,881	49%	

Other Expenditure: The YTD variance is 22 and 42 % at YE, due less travelling and other cost containment strategies .

4. CAPITAL EXPENDITURE

The total capital expenditure is 23% of the budget including the roll overs . The amount spent is R45 million against the budget of R198 million which include 67 million for schedule 6b for water Project.

CAPEX Expenditure 2022/23

TOTAL CAPEX 2022/23	ADJ 2022/23	YTD ACTUAL MARCH 2023	YTD ACTUAL VARIANCE	% VARIANCE
MIG	55 812 400	17 920 566	37 891 834	32%
WSIG	67 160 000	17 781 876	49 378 124	26%
INEP	20 000 000	1 166 667	18 833 333	6%
ELECTRICITY EFFICEINCY	4 000 000	380 000	3 620 000	10%
OWN FUNDING	33 255 000	2 772 931	30 482 069	8%
TOTAL	180 227 400	40 022 040	140 205 360	22%
TOTAL CAPEX 2022/23 ROLL OVER				
	ADJ 2022/23	YTD ACTUAL MARCH 2023	YTD ACTUAL VARIANCE	% VARIANCE
DOE	804 410	-	804 410	0%
OWN FUNDING	17 715 254	5 366 852	12 348 403	30%
GRANT TOTAL	18 519 665	5 366 852	13 152 813	29%
GRANT TOTAL	198 747 065	45 388 892	153 358 173	23%

MIG

Ga-Seleka and Witpoort RWS Phase 4

The contractor has completed all the works and the outstanding work is electrification of the boreholes by Eskom. The municipality is expediting with Eskom to energise the Project. Eskom has installed the transformer and Planned for completion end June 2023.

Ga-Seleka and Witpoort RWS phase 5.

The project is under resuscitation. The contractor was supposed to be back to site in November 2022 and has indicated that the allocated amount is insufficient to complete the works due to the increase on steel Price. The revised technical report and costing has been forwarded DWS for approval of additional funds. The planned completion date is 30 June 2024.

Thabo Mbeki Sewer Network Sanitation Phase 1.

Physical progress is 94%.The outstanding activities is installation of the geomembrane, testing and commissioning.9000 of square meters Geo-membrane has been delivered for lining of the sewage pond. The remaining consignment is planned to be delivered before end April 2023.

Thabo Mbeki Sewer Network Sanitation PHASE 2.

The contractor is unable to complete all activities from the scope of work due to delays in competition of Phase 1 of the project. As some of activities depend on completion of Phase1 Project.

Marapong stadium (Phase 2) sports art and culture

The project is still on design stage. The consultants appointed by EXXARO are still busy with the design. The allocated funds for the project will be reallocated to the project which is implementation ready. The project to be implemented in 2023/24 FY

Extension and Augmentation of water supply in Witpoort RWS 6

The project is on contraction Phase the Contractor has delivered material on site and has stated with excavation's and laying of Pipes.

WSIG

Refurbishment and Upgrading of Sewer Pump Stations, Network Pipes and Replacement of AC pipes in Town and Onverwacht

The Consultant has been appointed on the 26 October 2022 for the technical report and designs. Awaited DWS to appoint the Municipality as IA for the implementation of the project. The designs to be completed end March 2023. Construction to start next financial year July 2023.Technical reports has been approved.

Replacement of AC pipes and Upgrading of Water Network in Marapong

The Consultant has been appointed on the 26 October 2022 for the technical report and designs. Project. Awaited DWS to appoint the Municipality as IA for the implementation of the project. The designs to be completed end March 2023. Construction to start next financial year July 2023. Technical reports has been approved.

Marapong Bulk Water Supply Pipeline

The project is at 74% physical progress. Underperformance of the appointed contractor. Delays caused by rain and fatal incident on the project. The Contractor has entered in as session agreement to assist him complete remaining works.

Marapong Bulk Water Supply Storage

The contractor appointed on 16 November 2022. The department has requested a technical report prior appointment of the Municipality as a Project agent. Project is planned for completion end June 2023.

Mokuruanyane RWS Bulk Pipeline phase 1 and 2

The project has been completed on the 17 November 2022. The contractor has completed the works of the Pipe testing and Setting up of the telemetric system. The project was Completed in January 2023.

Electrification Project

The project is on construction Phase the Contractor has procured materials activities will be accelerated to complete the project by 30 June 2023.

Energy Efficiency- The project is on contraction Phase the Contractor has started with installation of the energy efficiency lighting. The project will be completed by 30 June 2023.

Own Funding Projects – are on various stages of procurement. Purchase of assets will be done through RT Projects.

Some of the Projects has been awarded

Security assessment of all strategic assets and implement appropriate security measures to protect the assets, Development of ICT strategy, Palisade Fencing for Onverwacht cemetery, Anti-fraud and corruption hotline, Credit control system and Indigent management system.

ROLLOVER PROJECTS

TOTAL CAPEX 2022/23 ROLL OVER	ADJ 2022/23	YTD ACTUAL MARCH 2023	YTD ACTUAL VARIANCE	% VARIANCE
DOE	804 410	-	804 410	0%
OWN FUNDING	17 715 254	7 166 852	10 548 403	40%
GRANT TOTAL	18 519 665	7 166 852	11 352 813	39%

MIG – Relates to Thabo Mbeki Sewer Network Sanitation Phase 1 is on progress and

INEP

The approved rollover will be utilised to address the backlog and various villages since Eskom since Eskom has no installation capacity at Marapong. The project is on construction phase.

Own Funding

Steve Biko Water Supply contract has been completed

Construction of Strong Room and security upgrade at Workshop and Civic Centre, are near completion. Construction Matnek bridge is completed.

Mmaletswai and Seleka 4 Refurbishment of water network System are on progress and is only awaiting Electrification from Eskom.

Municipality has initiated weekly project progress meetings to service delivery and project progress. Purchase of the Service delivery Equipment is done for RT Contract to fast-track spending.

CASH FLOW

The Municipality has the positive cash balance of R155 million excluding unspent conditional grants. Strategic decisions/resolutions to improve the cash Flow position are implemented effectively.

GRANT SPENDING

DESCRIPTION	DORA ALLOCATION	TOTAL BUDGET	GRANTS RECEIVED	TOTAL EXPENDITURE	% SPENT ALLOCATION RECEIVED	% SPENT OF DORA
FMG (FINANCIAL MANAGEMENT GRANT)	1 650 000	1 650 000	1 650 000	1 204 048	73%	73%
INEG (INTERGRATED NATIONAL ELECTRIFICATION GRANT)	20 000 000	20 000 000	10 200 000	1 166 667	11%	6%
DWA (WSIG)	67 160 000	67 160 000	17 245 382	17 245 382	100%	26%
MIG	59 592 000	59 592 000	51 177 000	17 920 566	35%	30%
EPWP	1 292 000	1 292 000	1 292 000	648 255	50%	50%
ELECTRICITY EFFICIENCY	4 000 000	4 000 000	3 000 000	380 000	13%	10%
	153 694 000	153 694 000	84 564 382	38 564 918	46%	25%

INEP – Shortage of capacity of supply by Eskom at Marapong (Transformer to be delivered in 2024) Funds has to redirected to villages

MIG – Moratorium in relation on Afri Forum case has affected forward planning on Projects and caused delays on implementation of Procurement plan

All contracts have been appointed acceleration plans are in place: Procuring materials and increasing resources on site

Challenge: Dora revision Reductions: MIG – R8.4M INEP – R9,8M – Revised implementation plans has been submitted to COGHSTA. Item will be presented to the next Council .

Revenue Management

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality.

The collection rates are as follows:

- The YE collection rate as of 31 March is 75 %
- The collection rate as prescribed by National Treasury is 95%.

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality. The revenue Enhancement strategy and Cost Containment Strategies development and presented to improve the financial sustainability of the Municipality. Effective implementation of Credit Control and Debt collection form's integral part on the efficiency of the Process.

Collection rate for Quarter 1 to Quarter 3 of Financial year 2022/2023

The average collection rate for the first quarter is 75% against the National Treasury Target of 95%.

The total amount billed from Q1 to Q3 (July 2022 – March 2023) is R 361 087 363.02 vs the actual collected amount of R 270 820 518.72. The variance mainly resulted from the following.

- The conversion of prepaid electricity metering to post-paid – not all clients pay their electricity as compared to when they were on prepaid
- The residents are reluctant to pay their bills citing dissatisfaction on their billing, especially electricity since the move to Post-paid and manual readings.
- The overall negative economic conditions resulting from increasing commodity prices affecting the consumer affordability.
- Rolling Electricity blackout has lead to consumer switching over to solar and other complementary sources of Energy.

The following are the measures put in place to improve revenue collection:

- Municipality has appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management. The municipality is busy fast-tracking the implementation of Pre paid electricity metering by April 2023. To date 4000 modems has been installed for the conversion of prepaid system and will read be remotely effective from end of April 2023. All clients will be moved to prepaid by end May 2023.

- Municipality is exploring the option of remote water metering reading system. As an immediate mitigation to improve water billing .Business case completed for sourcing of Funds install smart metering and prepaid for both water and electricity .
- A business case to implement flat rate at the villages effective from 2023/24 Financial year to curb the cost of increasing cost of supply services as the village. This will be implemented as social income.
- The municipality is implementing the credit control system to Fastrack the collection of debt below 90% days.
- The debt collector has been appointed to collect debts over 90 days ,monthly meeting schedule on monthly basis to Fastrack dent collection.
- The supplementary valuation roll has been for 181 Properties to improve on revenue collection and a public notice has been issued once completed the value of the properties will be changed to improve revenue.
- The indigent management system has been procured to improve credibility of debt book. The 1802 applicant were received and verified to date. 456 has qualified to be indigents. An item is brought to council to write off approved indigents.
- The project for the replacement of standing meters to improve revenue is on progress.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control. The cut of date within 44 days.
- The billing cycle has been revised to align to the pay dates of the consumers
- Meter reading schedule has been developed and shared with members of community to ensure transparency on meter readings. Municipality is exploring the option to implement meter reading App.

Revenue billed vs Collected

SERVICE TYPE	AMOUNT BILLED	AMOUNT COLLECTED	COLLECTION RATE
Rates	89 309 349.68	74 578 305.67	84%
Electricity	161 498 250.84	129 081 454.34	80%
Water	63 559 485.15	41 290 950.54	65%
Sewerage	25 602 489.11	16 558 372.11	65%
Refuse	21 117 788.24	9 311 436.06	44%
Total	R 361 087 363.02	R 270 820 518.72	75%

The Municipality uses preferential allocation method on payments received for rates and service charges. The first preference is allocated to rates, followed by sewerage,

refuse, water and electricity. Electricity allocation rate is higher than those of the other service charges as it is controllable via disconnection on non-payment. The collection rate of other service types is comparatively low as they fall in the accounts of consumers who reside in farms, Marapong, Thabo Mbeki and vacant stands that do not pay their accounts regularly.

The differences in the collection rate percentages is because some of the consumers in Marapong Township for example, are on Eskom's prepaid electricity and do not pay the municipality for water, refuse removal and sanitation services. Municipality intends to engage Eskom to enter a Memorandum of Understanding (MOU) for Eskom to suspend purchase of electricity for account holders who defaulted on rates and taxes payment of the municipality.

The Municipality is also providing refuse removal and water services to informal settlements and rural areas to comply with national legislation. The Municipality is however, not billing these services. Consumer awareness notices has been issued to encourage residents to pay for the services. The municipality will explore the option to introduce flat rate enable the municipality to sustain services provided to the villages.

The municipality is in the process of replacing the malfunctioning metres which are resulting in water losses. The service provider has been appointed for the supply, delivery and offloading of domestic and bulk water meters on as and when required for a period of three (3) years.

Furthermore, all new applications for electricity are switched to prepaid electricity on connection, and conventional electricity clients who are disconnected due to non-payment are forced to switch to prepaid after they have made payment and payment arrangements.

The municipality to strengthen controls on the credit control and debt collection value chain to improve efficiency.

5. FINANCIAL ANALYSIS – PERFORMANCE

The Municipality's financial position by end of March 2022 had a positive net asset to the value R1.445 billion. The assets comprise mainly of Property, Plant and Equipment: R1,393 Current Assets: R428m

Current Ratio – 2.2 : 1

The current ratio is within the norm which means the municipality is capable to cover short-term liabilities more 2 times with its current assets. The ratio has improved due to the debt settlement agreement signed with the DWS to covert debt to Long-term.

Cash/Cost Coverage ratio 3,3

The ratio indicates the municipality's ability to meet its monthly fixed operating commitments from cash and short-term investments 3 Months , i.e for how many months cash is available to cover the fixed monthly commitments. Percentage Cost coverage (R-value all cash at a particular time plus R-value investments, divided by R-value monthly fixed operating expenditure) YTD. Cost exclude conditional grants of R51 Million.

Employee related Costs as a percentage of Total operating Expenditure

Employee related cost is sitting at 35% which is at peak as opposed to 25 – 40%. This may indicate inefficiencies and overstaffing Overtime constitutes 5,3 % of the salary bill. The Municipality must implement the shift system and conduct skills audit to improve operational efficiency.

Actual Borrowings

The total outstanding borrowings as of 31 March 2023 is R128 Million which includes Outstanding Financial lease for Zeeland R46 Million and DWS long term debt R 82 Million . The last payment for DBSA will be affected in March 2023.The loan repayment for Zeeland is paid monthly and the interest on the loan 14, % per annum based on the weighted average capital of EXXARO.

6. DEBTORS REPORT

7.1 METER READING CYCLE AND DATE OF THE ACCOUNT

The meter reading cycle run from the 25th of the current month till the 5th of the following month. Accounts are sent electronically on the same day billing is completed. Within 14 days accounts are sent Electronically to the consumers. Invoices for Institution accounts are prepared within 3 days after billing. Awareness campaigns are done on the website and Newspapers for consumers to pay their accounts regularly. As when and when required notices are sent to consumers via Local Newspapers. Accounts are payable immediately on receipt of the account with a final payment date month end. Interest is charged on debt over 30 days and older. Accounts statements are forwarded to clients monthly after Billing.

The Municipality has changed the billing dates from the usual date of month end to around the 26th of every month effective from September 2021 billing. The move is intended to assist the Municipality to report the quarterly reports timeously and ensure that all customers with their different salary / payment dates are catered for when billing in line the consumer pay dates

The change of dates is the ideal least cost option to benefit both the municipality and consumers as it gives preference to municipal account payments to boost and accelerate revenue collection and also reduces the burden of interest on taxpayers by

accommodation salary dates categories for the 15th ,25th and 30^T. This also address the prevailing negative economic conditions as payment will be due when the account holders have got money to pay services. The account holders will prioritise the payment of municipal account when they run their month end.

The change will bring the following impact:

ACTIVITY	OLD DATES	APPROVED DATES
METER READING	25TH TO 5TH	15 TH TO 22 ND OF THE SAME MONTH
RECEIVING OF FILE	15TH OF THE MONTH	10TH OF THE MONTH
BILLING DATE	1 ST OF THE MONTH	26TH OF THE MONTH
STATEMENT DUE DATE	30 TH OF EVERY MONTH	25th OF THE MONTH
EMAILING OF STATEMENTS	1 ST OF THE MONTH	26th OF THE MONTH
POSTING OF ACCOUNTS	WITHIN 7 DAYS AFTER BILLING	WITHIN 7 DAYS AFTER BILLING
SERVICE DISCONNECTION DATE	20TH OF THE MONTH	10- 12 TH OF THE SAME MONTH

The interest is charged at 18% per annum on outstanding balance

7.2 DEBTORS AGE ANALYSIS

Debtors by Income Source

Totals per Service Type	Total Balance	Current Amount	30 DaysAmount	60 DaysAmount	90 DaysAmount	Over 90 Days Amount
Advance Payment	- 26 235 119.37	- 28 638 687.37	2 035 582.01	2 413.96	-	365 572.03
Electricity	112 257 430.55	- 27 466.25	18 841 531.59	9 848 824.41	5 194 695.20	78 399 845.60
Water	144 394 498.74	- 78 196.32	8 226 159.60	5 466 434.15	3 453 216.72	127 326 884.59
Sanitation	69 847 483.83	- 3 802.72	3 221 179.80	2 037 217.95	1 758 990.62	62 833 898.18
Waste	79 351 055.94	- 299.00	2 760 967.15	2 035 763.22	1 802 723.94	72 751 900.63
Property Rates	163 622 973.71	- 63 078.34	9 891 911.39	6 622 428.26	5 344 412.05	141 827 300.35
Total	543 238 323.40	- 28 811 530.00	44 977 331.54	26 013 081.95	17 554 038.53	483 505 401.38

Debtors by Customer Category

Totals per Property Use	Total Balance	Current Amount	30 DaysAmount	60 DaysAmount	90 DaysAmount	Over 90 Days Amount
Business	21 609 000.42	- 2 891 178.63	6 451 675.17	2 514 952.87	756 207.72	14 777 343.29
Farm	59 133 253.36	- 4 774 535.70	2 906 284.00	1 958 063.98	1 271 245.85	57 772 195.23
Government	9 299 215.50	- 343 097.49	599 518.87	541 547.90	503 163.24	7 311 888.00
Residential	453 196 854.12	- 21 488 913.16	35 019 853.50	20 998 517.20	15 023 421.72	403 643 974.86
Total	543 238 323.40	- 28 811 530.00	44 977 331.54	26 013 081.95	17 554 038.53	483 505 401.38

The current debtors balance is R 543 million of which R 483 million is for accounts that are older than 90 days and has been handed to the debt collectors. Internal credit control strategies are in place and cut offs are performed on monthly basis to ensure that all outstanding debts on accounts within 30 – 60 days are collected on time.

The cleansing of the debt book is in progress to improve the debt collection ratio

7.3 GOVERNMENT DEBTS

Name of Department	Total Balance	Current Amount	30 DaysAmount	60 DaysAmount	90 DaysAmount	Over 90 Days Amount
Department of Pw National	4 619 435.31	133 142.86	100 558.09	161 135.38	170 241.56	4 054 357.42
Department of Health	678 274.77	435 900.52	18 258.46	18 027.26	17 796.04	188 292.49
Department of Education	216 555.74	- 13 223.00	19 257.55	19 013.23	18 768.92	172 739.04
Department of Public works provincial	2 014 417.47	157 556.13	346 898.23	242 091.54	127 852.05	1 140 019.52
Department of social services	85 632.03	- 3 822.30	6 665.80	5 984.81	5 874.37	70 929.35
Department of Agriculture	194 818.38	8 091.24	4 533.14	2 721.00	2 353.75	177 119.25
Department of Transport	20 802.00	10 619.82	10 182.18	-	-	-
Department of Rural Development	1 469 279.80	- 385 167.78	93 165.42	92 574.68	160 276.55	1 508 430.93
	9 299 215.50	343 097.49	599 518.87	541 547.90	503 163.24	7 311 888.00

The amount owed by Government Department is R 9,3 M

The Government debt as of December 2022 is sitting at R 9.7 Million.

The main contributors are public works and Rural Development. An intervention session was held with CoGTA to expedite on the payment. Letters were issued to departments to request payments .

Department of Public Works National. The department has recently effected the payment and allocation to be done to accounts in April 2023.

Department of education requested a list of all school that owes Council. They indicated that there was a recent allocation of grants made to schools and they further requested a statement so that they can expediate with the schools.

Department of Rural development, Officials of department has completed verification and has issued the asset Register to the municipality on request for the pending invoices. Payments will be made in the 4th Quarter.

Process of Expediting payments

Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done. Credit control department is expediting the account on weekly basis. A standing meeting is scheduled on the 3rd working day to accelerate debt collection and to encourage Government Department to honour Commitments. Where there are challenges, Government debts are forwarded to COGHTA to assist Municipality with Debt collection. Credit control department is expediting the account on weekly basis in line their disbursement timelines. To date all the departments are paying on monthly basis the challenge remains Public Works ,they are busy with the asset verification as some of the properties are not on their asset register. The Revenue Department is busy verifying ownership the Properties with the deeds Officer. Department of Health exhausted budget and has escalated the matter to senior management for corrective action.

7.4 DEBT COLLECTORS PROGRESS

Summary of Collections

Billing Month	Collected Amount
July 2022	R 3 475 078.48
August 2022	R 3 358 798.56
September 2022	R 2 740 442.01
October 2022	R 6 591 038.00
November 2022	R 5 230 395.44
December 2022	R 3 454 363.47
January 2023	R 3 692 953.24
February 2023	R 4 074 143.20
Total	R 32 617 212.40

The debt collector (NICS) has during the period July 2022 to November 2022 collected the amount of R 32 617 212,40

Internal Credit Control collections: R234 Million

Low collection rate is still concerning the following initiatives are in place to improve the collection rate

- Monthly Revenue enhancement meetings are held with debt collector and all stakeholders to review debt collection performance, share all challenges and strategies to improve the collection rate.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control cut off date within 44 Days..
- Verification of Indigents applications completed, and an App is under development.
- Data Cleaning has been embedded in daily operations.
- The Municipality has appointed New Integrated Credit Solutions (NICS) to collect on long outstanding debts (debts over 90 days).
- Municipality appointed Livewire Engineering (Pty) Ltd in December 2022 to run prepaid vending management. It is expected that the first batch of clients to be switched to prepaid will be during February 2023.
- The Revenue Enhancement project is in progress to assist Municipality with strategies to improve revenue collection.

7.5 DATA CLEANSING

Data Cleansing

The municipality is currently busy with the data cleansing project. This process investigates all the accounts that are inactive and closed by the municipality. The municipality is reviewing the credit control and debt collection value chain to improve efficiency.

- **Deceased Accounts** - Confirmation has been received from the Home Affairs and the debt collector. The process flow to deal with write off of the deceased has been discussed with the debt collector in the meeting held on the 28 June 2021 in order to close all the loopholes and cover all aspect necessary to optimise the process of write- off of the deceased for continues improvement.

Management has taken the decision to write off all the debts till the date the deceased passed on and further investigation will be conducted on the balance of the deceased account which will includes registration of the beneficiaries to the account.

Prescribed debts

The current debt book includes the debts that more than three years and has prescribed. Prescription of debts occurs when the debt is over 3 years, and such debtors are untraceable even after been handed over to the debt collector. With the assistance of the debt collector the prescribed debt will be identified, extracted and presented to council for write off once all the process has been followed.

The municipality has prepared an item for the amount of R22 Million for write of debts relating to companies that are sequestrated, liquidated and de-registered.

7.6 INDIGENTS HOUSEHOLDS

Indigent Accounts - No one should be denied access to basic services because of their inability to pay, households with combined income of less than R4 000 qualify to apply for indigent status. In return treasury is giving Equitable shares.

Currently municipality has 500 active indigents and the total indigent benefits provided to current indigents for water and electricity in Quarter 1 & 2 amounted to R 105 129.03 and R 620 053.73 respectively.

The total indigent benefits provided to current indigents for water and electricity in Quarter 3 amounted to R 228 576.14 and R 628 182.55 respectively.

The indigent management system has been procured to improve credibility of debt book to ensure provision of services to the disadvantaged communities. The Total 1802 applicant were received through the manual process and verified through the system. And 456 applications were approved. An item is brought to council to write off approved indigents amounting to R2,2 Million. Full App is under development to move to 4IR systems.

8 STRATEGIES TO ENHANCEMENT REVENUE

- The municipality is part of the support Programme for DBSA. The revenue enhancement Project is underway to assess the AS- IS and ensure the credible revenue management system.
- DBSA provide capacity support on revenue enhancement and to exploit long financial sustainability strategies
- Implementation of sub system that to enhance collection of revenue through the internal credit Control Office.
- Revision of the billing cycle and Standard operating procedure to improve efficiency.
- Application of water restriction at Marapong.
- Consumer awareness about cut of dates for payment of services.
- Effective monitoring of billing system to improve credit control.
- Installation of water smart metres.
- Continuous update of the system with the supplementary valuation Roll to ensure accurate billing of Property rates.
- Implementation of Revenue collection on Weighbridge at Landfill site.
- Explore and implement the PPP projects (Grey Water and Zeeland Water treatment Plant).

9 COST CONTAINMENT

DESCRIPTION	Original Budget	BUDGET	EXPENDITURE	% VARIANCE
OVERTIME	6 860 588,00	11 002 088,00	7 910 650,35	72
CONSULTANTS	20 692 307,00	47 062 005,00	24 061 986,53	51
TRAVELLING	2 558 952,00	2 590 924,00	804 697,71	31
ACCOMODATION	1 770 324,00	1 874 152,00	850 939,26	45
TOTAL	31 882 171,00	62 529 169,00	33 628 273,85	54

The municipality has implemented the cost containment strategies.

Savings were realised on the subsistence, traveling and accommodation is mainly due to less travelling to meetings attended on team as opposed to travelling,

The use of consultants includes Legal cost for litigations and Service provide for forensic audit ,prepaid electricity metering and water Meter reading.

Overtime is still a challenge the key spenders are Service Delivery Departments Electrical, Waste, Sanitation and Traffic Department due repairs and maintenance of aging Infrastructure.

The Municipality has revised Overtime Policy for implementation in 2022/23 Financial year. Management must put control mechanism in place to reduce overtime. The option of shift system is explored for implementation in the next budget cycle.

10 STRATEGIES FOR COST CONTAINMENT

- Staff expected to bring tea and coffee.
- Booking for accommodation 3 Star.
- Telephone reduce to R200 per employee where applicable.
- Pool cars to be used by official without car allowance.
- No catering for meeting: Meetings reduced to 2hours.
- Attend Team and Zoom Meetings.
- Online and onsite training where possible.
- Paperless for council /EXCO /MPAC Items Agenda save on printing and overtime and transport costs.
- Rapid response to queries, overtime only allocated for emergencies Threatening life and Health.
- Filling for some vacant position delayed and staggered to save employee related costs and align to treasury regulations.
- Parking of fleet outside working hours.
- Full Implementation of time and attendance.
- Attach attendance register for offsite meetings and training.
- Pre- authorisation of Trips.

11 WITHDRAWAL REPORT

The Total payment of creditors as 31 March 2023 amounts to R503 Million . The creditors consist of suppliers which are providing services within the municipal area.

Section 65 of MFMA requires the Municipality to pay suppliers within 30 days. BTO department is following up with end users on Monthly basis to adhere to month end deadlines and ensure that invoices due for payment are timeously forwarded to expenditure Department for Payment.

SUMMARY SECTION 65 REPORTS: WITHDRAWAL REPORT

DESCRIPTION	1st QUARTER	2nd QUARTER	3rd QUARTER	TOTAL
ESKOM(ELECTRICITY BULK)	51 092 593	40 810 439	32 617 080	124 520 113
EXXARO COAL(WATER BULK)	7 810 998	9 948 346	22 029 064	39 788 408
CAPITAL PROJECTS	10 987 577	19 973 748	11 549 458	42 510 783
SALARIES	47 405 157	56 304 361	60 349 876	164 059 393
CREDITORS	24 146 271	27 249 736	19 922 876	71 318 883
CONTRACTS	19 603 494	18 567 347	22 646 274	60 817 115
TOTAL	161 046 090	172 853 977	169 114 627	503 014 694

TOP 20 SUPPLIERS

SUPPLIERS	AMOUNT PAID
DEPARTMENT OF WATER AND SANITATION	12 983 721,39
Eskom Holdings SOC Ltd-Limpopo	10 439 176,87
SARS PAYE	5 931 256,36
RAPIDUS CONSTRUCTION	5 257 289,23
LIVEWIRE ENGINEERING AND CONSULTING	4 166 800,75
EXXARO COAL	2 645 453,43
LPG: PMG ROAD & TRANSPORT	1 800 200,94
MAMPUDI SECURITY SERVICES	1 320 617,06
SEBATA MUNICIPAL SOLUTIONS	1 183 245,70
GEO X EQUITY	903 330,75
GOMBAMENI RISK AND EVENT MANAGEMENT	750 279,67
Eskom Holdings SOC Ltd-Limpopo	595 646,95
TONDOR BELEGGINGS	507 070,00
NEW INTEGRATED CREDIT SOLUTIONS	488 897,18
ESKOM HOLDINGS	403 093,14
DEVELOPMENT BANK OF S.A.	371 382,45
CATHU CONSULTING	370 220,20
NTSHIANA TRADING ENTERPRISE	347 319,85
EVAM	332 883,84
MACHABA INCORPORATE ATTORNEYS	290 550,00
TOTAL	51 088 435,76

12 DWS DEBTS /INTERGOVERNMENTAL RELATIONS

Department OF Water and Sanitation Payment Plan						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital	114 024 297	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463
Interest	27 517 089		-	-	-	-
Deposit Paid	(11 402 430)		-	-	-	-
Payments	-	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)
Interest writte off	-					(27 517 089)
Total	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463	0

The municipality is a water service authority and have signed an agreement in 2015 to supply raw water in line with the Water service act and the licence issued to the Municipality.

DWS has been supplying raw water to the municipality from 2015 after completion of MCWAP 1 project. The amount of R141million was outstanding as 30 June 2022.The long-term settlement agreement was signed for the settlement of raw water liability with the Department.in February 2023.

Interest

Interest was charged on overdue accounts since 2017 till June 2022.The balance of interest owed will be written off upon full settlement of capital amount and future interest were frozen

Deposit amount

Municipality was requested to pay 10% of the capital amount as part of the settlement agreement. The amount was paid on R11 Million 28th February 2023.

Payments

Three equal instalments of R6 841 458 are made annually. These payments are made within 5 days after the receipt of equitable share trench by the Municipality.

13 SUPPLY CHAIN MANAGEMENT REPORTS

The municipality utilising bid committee system in line with Supply chain management policy to source good and services from suppliers Procurement department is centralised to ensure transparency and segregation of duties. Inzalo Financial system is utilised with workflows in line with system of delegations to instil the culture of Governance and Control.

The SCM policy is under review to include the changes on the preferential Procurement Policy as per the ConCourt Ruling of the Case of Agri forum and Minister Finance. Supply chain team has attended training in December 2022 in line with SCM regulations.

Below is a table that summarises the Supply Chain Management process in terms of quotations and bids awarded: The Lephalale Municipality has developed a procurement plan and weekly meetings as an endeavour to accelerate the execution of the plans and acceleration of service delivery.

Summary of Procurement

DESCRIPTION	ADVERTISED	AWARDED	NON RESPONSIVE/R	CANCELLED	TO BE EVALUATED	TO BE CLOSED
TENDERS	48	26	14	0	4	4
RFQ	42	27	14	1	0	0
TOTAL	90	53	28	1	4	4

14 GOVERNANCE/PRIORITIES

FEEDBACK ON 2021/22 YE AUDITS

The regulatory audit for 2021/22 Financial year has been concluded. The municipality has achieved unqualified audit opinion. AGSA reported a total of Fifty three (53) findings during the 2021/22 financial year. Audit action plan has been prepared in line with section of 131 of the MFMA. Weekly Audit Steering Committee meetings are held to monitor the progress on the implementation of the Action plan. Interim AFS has been compiled to address issues of Misstatement on the AFS.

15 UIFW'S REDUCTION STRATEGY

Type of expenditure	Closing balance @ 30/06/2021 AFS	written off in 2021/2022	Closing balance @ 30/06/2022 AFS	Approved by Council in JAN 2023	ADDITIONS 2023	Pending Investigation
Unauthorised	48 774 293	48 774 293	5 889 901	0	0	5 889 901
Irregular	431 338 467	172 506 245	277 943 668	224 064 855	5 337 144	59 215 957
Fruitless and expenditure	19 616 237	0	21 090 467	19 616 237	844	1 475 074
TOTAL	499 728 997	221 280 538	304 924 036	243 681 092	5 337 988	66 580 932

The municipality has developed and implemented a UIFW reduction strategy. The strategy has been approved by Council. A panel of consultant has been appointed to support MPAC to investigate the UIFW's.

UIFW's investigation of part1& 2 has been finalised Amount of R221 Million has been approved by Council and has been processed in 2021/22 Financial Statement.

The report for Part 3 & 4 of the investigation has been approved by council on the 28th January 2023. The total amount is R243 Million has been processed in the 3rd quarter. The amount of R66 Million will be processed in the fourth quarter.

Additions for 2022/23

The municipality is reviewing the expenditure policy to ensure centralisation of invoices. The irregular expenditure related historical contract for Security which ended in the current Financial year.

16 CHALLENGES

- Under expenditure on Capex may lead to National Treasury and Department withholding funds.
- Under expenditure is mainly due the impact of the court order which was issued against the case of Minister of Finance and Agri Forum where the Preferential Procurement regulation ,2017 Regulation 3(b) ,4 and 9 was declared unlawful
- The uncertainty of Covid 19 Impact remains a challenge and Management must monitor Revenue and Expenditure closely and apply strategies to sustain the Business.
- Suppliers charging interest on late payments.
- Supply of free Basic Services to Rural areas putting pressure on operating revenue.

17 WAY FORWARD

- Implementation of Cost Containment Strategies.
- Implementation of Revenue Enhancement Strategy
- The implementation of UIFW reduction Strategy.
- Centralise invoices to Expenditure Department to Ensure suppliers are paid within 30 days.
- Fast tracking Capex Expenditures.
- The Municipality must implement the shift system.
- The Municipality must conduct skills audit to improve operational efficiency.
- Implementation of Covid regulations.
- Municipality must conduct Overtime audit.

18 STAFF IMPLICATIONS

None

19 FINANCIAL IMPLICATIONS

Municipality is fast racking capital spending to avoid the withdrawal of funding by National Treasury. The Municipality will also continue to implement the revenue enhancement initiatives and cost containment strategies to remain financially viable.

20 OTHER PARTIES CONSULTED

Management

21 ATTACHMENTS

Financial Report C – Schedule is attached as an **ANNEXURE.1**

22 RECOMMENDED

- (i) That the 3rd quarter Financial Report be noted in Section 72, 52,71, and Section 66 of the MFMA.
- (ii) That the Financial report be submitted to National and Provincial Treasury.
- (iii) That the municipality continue to implement and monitor the Cost containment, Revenue enhancement and UIFW reduction Strategies.