



Quarterly Budget Statement

MFMA Section 52 Report

30 JUNE 2023

Govan Mbeki Municipality

Introduction

Purpose

To comply with section 52(d) of the Municipal Finance Management Act (MFMA), by submission of a report in a prescribed format to the Council on the implementation of the budget and financial state of affairs of the municipality.

The quarterly Budget Statement also aims to provide an update on indicators critical to the municipality's viability and serve as an early warning indicator where remedial action is required. The consolidated performance is a high-level overview of the municipality's viability and sustainability.

The report is tabled to council in order to ensure good governance and financial viability and to provide council with the necessary information to make informed decisions

Background

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 sustainability and better medium-term planning and policy choices on service delivery.

The report has been prepared in terms of the following legislative framework:

- i. The Municipal Finance Management Act – No.56 of 2003, Section 52 and Section 75(1)k
- ii. And the Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

"28. the monthly budget statement of a municipality must be in the format specified in Schedule C and includes 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."

The objective of these Regulations is to ensure 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.

Section 13: Quality Certification by Accounting Officer

QUALITY CERTIFICATE

I, **E.N. Maseko**, the Municipal Manager of **Govan Mbeki Municipality**, hereby certify that: -

The Quarterly budget statement report

And supporting documentation for the quarter of **JUNE 2023** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: M. Moloto

Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature: 

Date: 19/07/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 19/07/2023

1. DISCUSSION:

The overall financial performance indicators for the period under review are attached as **ANNEXURE "A"**.

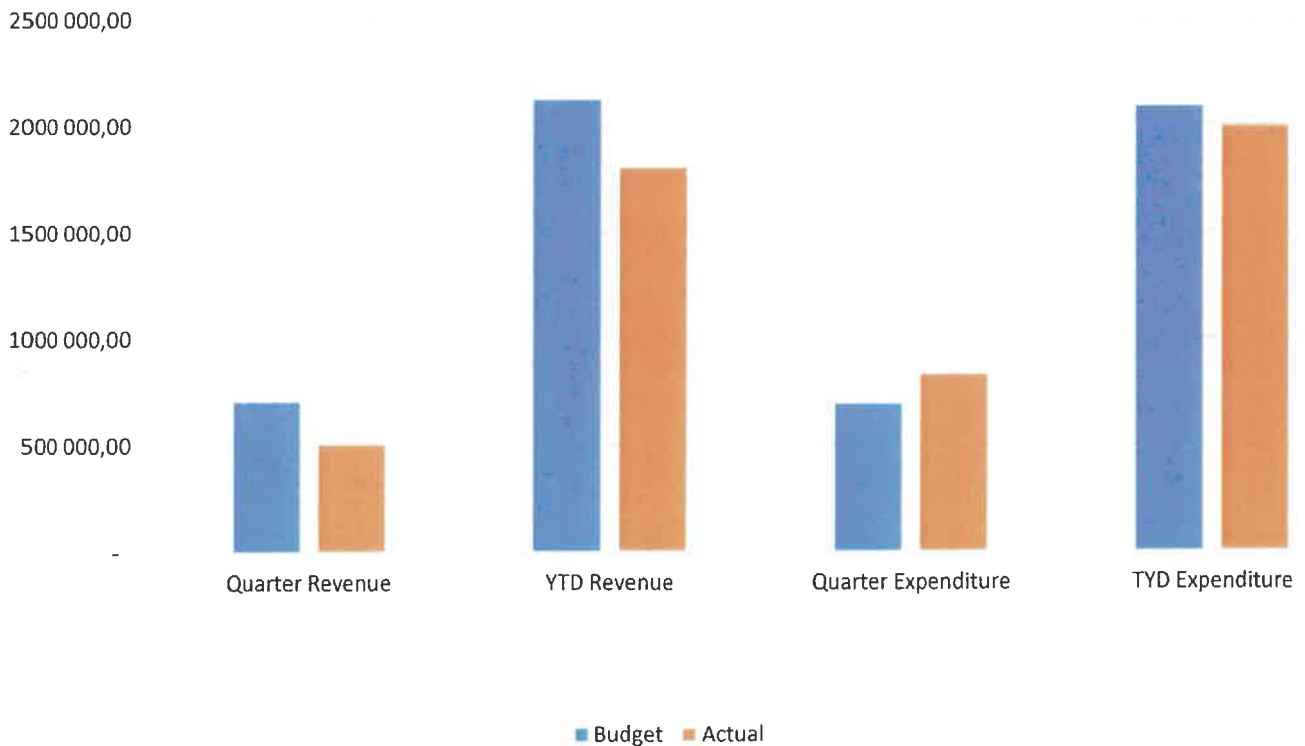
EXECUTIVE SUMMARY:

Operating Results:

The table below shows the Operational Revenue of 2.3 billion and Operating Expenditure of 2.8 billion which resulted in a deficit of R514.6 million before capital transfer of R131.2 million which resulted in overall deficit of R383 million.

Description	Original Budget 2022/2023	Adjusted Budget 2022/2023	Actual (Q1)	Actual (Q2)	Actual (Q3)	Actual (Q4)	Year TD Actual	Year to Date Budget	Variance	YTD Variance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total Operating Revenue	2 828 608	2 832 962	620 920	568 347	615 100	504 802	2 309 170	2 832 962	(523 791)	-18%
Total Operating Expenditure	2 775 340	2 796 489	600 645	677 842	714 090	831 233	2 823 810	2 796 489	(27 321)	1%
Surplus /(Deficit) for the year before grant capital revenue	53 268	36 473	20 276	(109 495)	(98 990)	(326 431)	(514 640)	36 473	(551 113)	(1511%)
Grant capital revenue	96 048	96 048	11 718	23 557	57 785	78 046	131 253	96 048	35 204	36.63%
Surplus /(Deficit) for the year	149 316	132 521	31 994	(85 938)	(41 205)	(248 385)	(383 387)	132 521		
Total Capital Expenditure	163 882	198 261	16 932	28 259	34 043	114 520	193 754	198 261	(4 507)	-2%

BUDGET VS ACTUALS



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at 30 June 2023

R thousands	Description	Budget Year 2022/23									
		2021/22 Audited Outcome	Original Budget	Adjusted Budget	Quarter 4 Actuals	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
Financial Performance											
Property rates		372 877	403 088	90 698	380 428	403 088	(22 660)	-6%	403 088		
Service charges		1 313 517	1 718 565	324 066	1 303 802	1 718 565	(414 763)	-24%	1 718 565		
Investment revenue		9 052	14 825	4 118	16 773	14 825	1 948	13%	14 825		
Transfers and subsidies		369 056	409 252	13 405	370 000	413 606	(43 606)	-11%	413 606		
Other own revenue		181 838	282 878	72 517	238 167	282 878	(44 712)	-16%	282 878		
Total Revenue (excluding capital transfers and contributions)		2 246 339	2 828 608	504 892	2 309 179	2 832 962	(523 783)	-18%	2 832 962		
Employee costs		568 554	665 216	153 729	600 007	665 216	(65 209)	-10%	665 216		
Remuneration of Councilors		24 398	32 120	6 315	25 691	32 120	(6 430)	-20%	32 120		
Depreciation & asset impairment		168 361	196 589	32 157	139 516	196 589	(57 074)	-29%	196 589		
Finance charges		187 290	133 798	100 017	304 856	133 798	171 058	128%	133 798		
Inventory consumed and bulk purchases		1 227 010	1 112 747	307 778	1 288 162	1 122 117	166 045	15%	1 122 117		
Transfers and subsidies		30 810	27 883	23 065	23 010	27 736	(4 727)	-17%	27 736		
Other expenditure		717 930	606 987	208 171	442 569	618 911	(176 343)	-28%	618 911		
Total Expenditure		2 924 353	2 775 340	834 233	2 823 916	2 796 489	27 327	1%	2 796 489		
Surplus/(Deficit)		(678 013)	53 268	(326 431)	(514 640)	36 473	(551 113)	-1511%	36 473		
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		88 096	80 932	68 332	121 539	80 932	40 607	50%	80 932		
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departments, Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		4 670	15 116	9 714	9 714	15 116	(5 403)	-36%	15 116		
Share of surplus/ (deficit) of associate		(585 247)	149 317	(248 385)	(383 387)	132 524	(515 908)	-389%	132 524		
Surplus/ (Deficit) for the year		(585 247)	149 317	(248 385)	(383 387)	132 524	(515 908)	-389%	132 524		
Capital expenditure & funds source											
Capital expenditure		231 850	163 882	114 520	193 754	198 261	(4 507)	-2%	198 261		
Capital transfers recognised		108 909	92 752	60 576	125 065	111 561	13 504	12%	111 561		
Borrowing		—	—	—	—	—	—	—	—		
Internally generated funds		8 049	71 130	37 131	50 665	86 709	(36 035)	-42%	86 709		
Total sources of capital funds		116 958	163 882	97 707	175 730	198 261	(22 530)	-11%	198 261		
Financial position											
Total current assets		1 695 597	1 353 513	1 353 513	2 487 765	2 487 765			1 771 812		
Total non current assets		2 844 001	2 777 497	2 811 876	2 899 324	2 811 876			2 811 876		
Total current liabilities		4 812 399	3 930 550	4 400 024	6 021 038	6 021 038			4 400 024		
Total non current liabilities		246 273	246 273	246 273	382 024	382 024			246 273		
Community wealth/Equity		(765 758)	(45 814)	—	(1 007 058)	(62 610)			(62 610)		
Cash/Boxes											
Net cash from (used) operating		949 773	(203 038)	116 129	116 129	34 073	(82 056)	-241%	(56 249)		
Net cash from (used) investing		(1 12 429)	(163 943)	(69 336)	(89 336)	(49 207)	20 128	-41%	(174 843)		
Net cash from (used) financing		1 978	—	1 621	1 621	—	(1 621)	#DIV/0!	—		
Cash/cash equivalents at the month/year end		1 042 522	(163 782)	(27 893)	304 869	188 865	(116 794)	-62%	25 353		
Debtors & creditors analysis											
Debtors Age Analysis		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dya-1 Yr	Total		
Total By Income Source		235 756	90 842	63 635	60 823	84 307	73 458	71 778	3 723 931		
Creditors Age Analysis		262 632	26 380	78 468	97 462	179 564	74 298	74 298	4 731 092		

Analysis of the performance

Operating Revenue

The overall performance on the revenue component is 19% below target. Service charges and other own revenue are the main items to contribute in this negative performance.

Operating Expenditure

The overall performance on the expenditure component is 1% above target.

Bulk purchases and finance charges are above target by 27% and 127% respectively, there will be an unauthorized expenditure in these line items at the end of the financial year.

Capital Expenditure

Total Capital Expenditure to date is R 186 927 976.85 of this amount R 82 211 007.00 relates to MIG funding, R 29 500 000.00 relates to INEP whilst R 49 423 285.35 is from internally generated funds, R10 446 491.00 relates to Sasol grant and R15 347 193.50 is WSIG.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received including rollover	YTD Expenditure	Available as at 30 June 2023
Municipal Infrastructure Grant	MIG	65 932 000.00	82 211 007.00	82 211 007.00	0
Sasol Grant – Electrification	Sasol	10 446 491.00	10 446 491.00	10 446 491.00	0
Integrated National Electrification Programme Grant	INEP	15 000 000.00	29 500 000.00	29 500 000.00	0
Water Services Infrastructure	WSIG		18 000 000.00	15 347 193.50	2 652 806.50
Own Funding	Revenue	58 089 983.00	58 089 983.00	49 423 285.35	8 666 697.65
Total		149 468 474.00	198 247 481.00	186 927 976.85	11 319 504.15

Unspent Operational Grants

- Year to date operational percentage on FMG, ISDG and Arts and Culture is at 100% and LGSETA is at 84% this is based on amount received to date including rollover.
- Pre-Capacity grant is underspent by 97%

Grants	Allocation per DoRA	Actual received including rollover	Own Funding as at 30 June 2023	Expenditure as at 30 June 23	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000.00	2 629 000.00	11 372 868.00	14 028 286.00	-	528%
Financial Management Grants	2 100 000.00	2 100 000.00	408 206.00	2 508 206.00	-	119%
Infrastructure Skills Development Grant	24 500 000.00	24 500 000.00		24 500 000.00	-	100%
Arts and Culture	221 716.00	221 716.00		221 716.00	-	100%
LG Seta	2 080 000.00	3 900 000.00		3 293 539.08	606 460.92	84%
Pre-Capacity grant	195 235.00	195 235.00		6 732.00	188 503.00	3%
Total	31 725 951.00	33 545 951.00	11 780 492.00	44 531 479.08	794 963.92	98%

The EPWP grant is at 528% as the allocation has been fully spend and own funds are utilised to subsidise the EPWP expenses, hence the 528% spending.

Unspent Capital Grants

- Municipal Infrastructure Grant expenditure is inclusive of the Roll-over spending.
- The capital expenditure of the current year's allocation for MIG, INEP and SASOL are at 100%.
- On the WSIG, the project progress is at 98% as of 30 June 2023, however, the expenditure is at 85% because of the late approval of the representation of the municipality on the initially disapproved roll over application. The representation of the municipality to the department of water and sanitation was only approved at the end of February 2023.
- nothing was spent on Arts and Culture grant.

Grants	Allocation per DoRA	Actual received including rollover	Expenditure as at 30 June 23	Unspent 2022/2023	YTD %
Integrated National Electrification Programme Grant	15 000 000.00	29 500 000.00	29 500 000.00	-	100%
Municipal Infrastructure Grant	65 932 000.00	82 211 007.00	82 211 007.00	-	100%
Sasol Grant-Electrification	10 446 491.00	10 446 491.00	10 446 491.00	-	100%
Water Services Infrastructure		18 000 000.00	15 347 193.50	2 652 806.50	85%
Arts and Culture	250 000.00	250 000.00	-	250 000.00	0%
Total	91 628 491.00	140 407 498.00	137 504 469.50	2 902 806.50	98%

Repairs and Maintenance Analysis

Repairs and maintenance spending to date (with percentage of budget spent)

Description	Total Budget	Total Actual	Total Unspent	% Spent
Community and Social Services	18 543 250.00	8 266 821.64	10 276 428.36	44.58
Energy Sources	39 124 987.00	29 383 451.58	9 741 535.42	75.1
Environmental Protection	-	-	-	-
Executive and Council	-	-	-	-
Finance and Administration	697 851.00	235 427.79	462 423.21	33.74
Planning and Development	48 407.00	146 188.75	- 97 781.75	30.2
Public Safety	1 673 803.00	1 227 881.04	445 921.96	73.36
Road Transport	20 466 107.00	10 058 116.22	10 407 990.78	49.15
Waste Management	9 040 000.00	7 515 047.39	1 524 952.61	83.13
Waste Water Management	27 540 780.00	23 360 443.47	4 180 336.53	84.82
Water Management	8 782 787.00	4 787 145.28	3 995 641.72	54.51
Sport and Recreation	920 824.00	356 498.44	564 325.56	38.72
Total	126 838 796.00	85 337 021.60	41 501 774.40	67.28

CASH MANAGEMENT

As at 30 June 2023, we had a positive bank statement balance of R 12 437 675.29 and a positive cash book balance of R 11 416 386.39 compared to a positive bank statement balance of R 74 821 157.60 and a positive cash book balance of R 58 728 335.50 in March 2023 (Quarter 3).

INVESTMENT PORTFOLIO ANALYSIS

Supporting table SC5 displays the Council's investment portfolio and indicates that R116 million is currently invested. There is a new investment made of R100 million with Nedbank on the 8th of June 2023. Accrued interest for the quarter amounts to R 664 thousand.

MP307 Govan Mbeki - Supporting Table SC5 Monthly Budget Statement - investment portfolio - Q4 June

Investments	Period of investment	Type of investment	Expiry date of investment	Quarter1	Quarter2	Quarter3	Quarter4
	Yrs/Months			R'000	R'000	R'000	R'000
R thousands							
Municipality							
ABSA	12 MONTHS	Fixed Deposit	23/06/2023	13 947	14 192	14 432	14 669
NEDBANK	3 MONTHS	Fixed Deposit	07/09/2023	-	-	-	100 589
OLD MUTUAL		Shares		356	356	356	356
SANLAM		Shares		130	130	130	130
NEDBANK		Shares		215	215	215	215
QUILTER		Shares		186	186	186	186
TOTAL INVESTMENTS				14 834	15 079	15 318	116 146

DEBTORS MANAGEMENT

Our Debtors book had a total balance of R 3 677 337 665.46 as at end of JUNE 2023. The debtors' payment rate for the quarter is 77%.

Description		Budget Year 2022/23										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dye-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
1200	Trade and Other Receivables from Exchange Transactions - Water	38 328	32 445	29 144	30 220	31 964	27 228	146 784	996 415	1 332 528	1 232 611	-	-
1300	Trade and Other Receivables from Exchange Transactions - Electricity	33 850	15 844	14 091	12 704	11 818	11 473	64 140	350 110	514 030	450 245	-	-
1400	Receivables from Non-exchange Transactions - Property Rates	26 362	12 655	11 418	10 631	10 174	9 796	52 374	235 438	368 848	318 413	-	-
1500	Receivables from Exchange Transactions - Waste Water Management	15 011	11 999	10 991	10 717	10 422	10 191	56 069	387 411	512 811	474 810	-	-
1600	Receivables from Exchange Transactions - Waste Management	14 370	11 019	10 473	9 985	9 633	9 413	52 577	345 624	463 094	427 232	-	-
1700	Receivables from Exchange Transactions - Property Rental Debtors	515	419	563	789	368	294	1 405	7 456	11 809	10 312	-	-
1810	Interest on Arrear Debtor Accounts	-	-	-	-	-	-	-	-	-	-	-	-
1820	Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-	-	-
1900	Other	96 333	4 988	2 817	4 917	9 167	4 494	37 510	313 992	474 217	370 080	-	-
2000	Total By Income Source	224 769	89 369	79 496	79 963	83 546	72 889	410 860	2 636 445	3 677 338	3 283 703	-	-
2017/18 - totals only													
Debtors Age Analysis By Customer Group													
2200	Organs of State	3 477	1 064	506	315	318	180	1 066	4 436	11 363	6 316	-	-
2300	Commercial	132 045	17 388	12 173	14 672	15 829	10 676	52 903	288 442	554 128	392 522	-	-
2400	Households	89 247	70 917	66 817	64 976	67 400	62 033	356 891	2 333 567	3 111 847	2 884 866	-	-
2500	Other	-	-	-	-	-	-	-	-	-	-	-	-
2600	Total By Customer Group	224 769	89 369	79 496	79 963	83 546	72 889	410 860	2 636 445	3 677 338	3 283 703	-	-

Notes

Material increases in value of debtors' categories compared to previous month to be explained

Bad debts = amounts actually written off in the month

Total by Income Source must reconcile with Total by Customer Group

The following table indicates the consumer debtor's payment rate for the month:

Category	Actual Cash for the Month	Total Movement	Billing for May 2023	Adjustments
WATER	-23 849 316,26	41 286 901,55	41 465 368,63	-178 467,08
ELECTRICITY	-26 561 741,51	33 421 926,91	33 628 231,23	-206 304,32
RATES	-24 393 898,37	32 266 285,05	32 479 936,24	-213 651,19
REFUSE	-4 883 394,73	11 787 306,37	11 865 701,51	-78 395,14
SEWERAGE	-5 163 780,04	12 447 687,40	12 461 898,81	-14 211,41
MISCELLANEOUS	-96 242,16	209 022,92	198 370,82	10 652,10
MISCELLANEOUS (NO VAT)	-274 135,23	468 000,01	468 000,01	0,00
INTEREST	-858 931,52	20 606 156,87	20 606 314,20	-157,33
Total	-86 081 439,82	152 493 287,08	153 173 821,45	-680 534,37

Debtors Opening Balance	3 608 688 000,00
Add: Billing for the Month	153 173 821,45
Less: Debtors Closing Balance	3 677 337 665,46
	86 081 439,92
Payment rate	55%

The payment rate is calculated using circular 71 guideline to consider the legacy debt. (The total of the debtors' book is considered)
 * Collection rate not considering the legacy debt is at 56%

Reason for revenue decline

- There has been a malfunction in the system during the roll-over of the financial year resulting in the debtors' age analysis being distorted.
- The c-schedule (System-generated) indicated a closing balance of R 2 970 345 000.00 whereas the debtors book indicated

The following table indicates payment rate per month.

Month	2020/21	2021/22	2022/23
July	68%	63%	65%
August	50%	57%	61%
September	69%	65%	61%
October	62%	60%	35%
November	21%	58%	63%
December	61%	61%	56%
January	66%	70%	57%
February	59%	58%	79%
March	59%	63%	61%
April	119%	69%	101%
May	57%	70%	76%
June	59%	59%	55%

Accounts owed by Councilors'

Account Holder	Account	30>Days	60> Days	90> Days	120 >Days	Total
Kubheka AM	2008379	R 8 679.36	R 1 236.93	R 1 236.93	R 1 162.33	R 5 043.17
Mabizela TM	2301068	R 1 739.46	R 1 739.46	R 0.00	R 0.00	R 0.00
Magagamela FF	2205558	R 13 975.59	R 3 130.72	R 967.86	R 638.83	R 9 238.18
Makhado TC	2204337	R 2 865.19	R 2 865.19	R 0.00	R 0.00	R 0.00
Maluka J	7001671	R 59 212.21	R 1 510.44	R 1 531.59	R 1 335.06	R 54 835.12
Maseko MA	7009206	R 5 847.22	R 457.55	R 354.62	R 352.23	R 4 682.82
Masinga AMP	2109271	R 1 449.49	R 1 366.20	R 83.29	R 0.00	R 0.00
Masiteng SM	2601472	R 38 511.48	R 1 057.83	R 1 095.06	R 1 007.96	R 35 350.63
Mazibuko TM	2004788	R 4 639.09	R 4 639.09	R 0.00	R 0.00	R 0.00
Mofokeng TS	2010079	R 74 731.82	R 1 471.40	R 1 471.40	R 2 504.39	R 69 284.63
Mthembu AP	2300001	R 50.63	R 50.63	R 0.00	R 0.00	R 0.00
Mtshali PD	6510278	R 44 689.17	R 1 131.94	R 1 229.95	R 1 174.46	R 41 152.82
Ngwenya NM	2109708	R 26 728.49	R 896.88	R 1 147.77	R 774.34	R 23 909.50
Nkabinde ER	4006463	R 4 524.81	R 1 294.72	R 2 096.94	R 1 133.15	R 0.00
Nkuna MM	7009035	R 103 968.02	R 1 549.65	R 1 639.29	R 1 784.28	R 98 994.80
Nkwanyana AL	2001414	R 7 146.26	R 1 237.90	R 1 192.63	R 1 129.23	R 3 586.50
Nsibande ME	7000472	R 3 310.12	R 570.14	R 570.14	R 570.14	R 1 599.70
Petterson J	8502782	R 2 738.01	R 496.35	R 509.28	R 504.92	R 1 227.46
Sehlalo MS	2109867	R 115 289.60	R 1 401.04	R 1 394.94	R 1 181.01	R 111 312.61
Sierana MR&N	2101798	R 47 189.32	R 1 844.94	R 1 833.45	R 1 744.20	R 41 766.73
Sindelo N	2206183	R 2 386.79	R 2 234.97	R 151.82	R 0.00	R 0.00
Thukwane KS	2204708	R 90 514.90	R 1 698.55	R 1 689.92	R 1 641.58	R 85 484.85
Vilakazi P	2601906	R 77 702.75	R 1 294.03	R 1 287.76	R 1 271.89	R 73 849.07
Ziwele LS	2103655	R 44 641.86	R 1 158.57	R 2 249.89	R 2 037.90	R 39 195.50
Total		R 782 531.64	R 36 335.12	R 23 734.53	R 21 947.90	R 700 514.09

Distribution losses

Water and Electricity Distribution Losses for June 2023. (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	41,694,277	15,631,212	-62.51%	-60.50%	-72.60%
Water	2,712, 290	1,366,528	-49.62%	-32.56%	-32.15%

Water and Electricity Distribution Losses: Accumulated: July 2022 to June 2023 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	543,091,789	192,924,303	-64.48%	-64.46%	-70.15%
Water	31,972,086	19,700,305	-38.38%	-34.38%	-32.38%

LIABILITIES

Creditors

The total creditors balance for the quarter ended June 2023 (quarter 4) amounted to R 4 731 092 000 compared to R 4 429 718 000 in Quarter 3.

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the month of June 2023, R 4 731 billion was outstanding and of this 97% is outstanding for more than 30 days. The cash flow challenges continue to affect timeous payments to creditors.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - Quarter 4

Description	NT Code	Budget year 2022/2023			
		Quarter 1 R'000	Quarter 2 R'000	Quarter 3 R'000	Quarter 4 R'000
R thousands					
Creditors Age Analysis by Customer Type					
Bulk Electricity	0100	3 258 175	3 459 387	3 722 080	674 312
Bulk Water	0200	543 805	612 401	673 285	39 614
PAYE deductions	0300	-	-	-	-
VAT (output less input)	0400	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-
Loan repayments	0600	-	-	-	-
Trade Creditors	0700	56 582	54 352	34 310	4 017 166
Auditor General	0800	-	2 644	44	-
Other	0900	-	-	-	-
Total By Customer Type	1000	3 858 562	4 128 783	4 429 718 062	4 731 092

FINANCIAL RATIOS:

Current Ratio: 0.41:1

Formula: $\text{Current assets} / \text{Current Liabilities}$

The municipality will not be able to meet its short-term obligations as they fall due as current liabilities are not covered in full by our current assets. Ideally this ratio should always be greater than one to make sure we pay our creditors as they fall due.

Debt Ratio: 1:0.84

Formula: Total liabilities / Total assets

A lower debt ratio usually implies a more stable business with the potential of longevity, which means that lower ratio also has lower overall debt. The ratio indicates the municipality is financial unable to pay commitments as they fall due using its assets.

Debt Service Coverage: -0.010 :1

Formula: Operating surplus / Total debt service cost

The debt service coverage ratio is a financial ratio that measures a municipality's ability to service its current debts by comparing its net operating income with its total debt service obligations. The municipality is unable to service its debts when they become due hence the increase in creditors.

Cost Coverage Ratio: 1:1.03

Formula: Cash and cash equivalents (Available cash +investments) / fixed operating expenditure

The municipality will encounter difficulties in meeting its monthly obligation even though its cost coverage ratio is above 1. This is an indication that the municipality has cash constraints and that there isn't sufficient cash to cover expenditures.

Additional Reports Annexures

ANNEXURE B: Annexure is comprised of the following Appendices

C SCHEDULES as Appendix "A".

Supply Chain Management that comprises of the following items

- ✓ Deviation from Supply Chain Management process in terms of Section 36 of the regulation is attached as **Appendix "B"**;
- ✓ Disclosure of Supply Chain Management purchase above R100 000. **Appendix "B"**;
- ✓ Disclosure of irregular expenditure amounting to R 7 664 199.66 as **Appendix "C"**
- ✓ Disclosure of tenders awarded amounting to R 12 677 549.04 as **Appendix "D"**

Insurance Claims

23 insurance claims have been lodged in the 4th quarter amounting to **R 407 192.42**, year to date amounts to **R 17 347 236.55**. The details of insurance claims are attached as **Appendix "E"**.

Highest Debtors per Town Appendix "F" and Government Debt Appendix "G"

The table shows the 10 highest Outstanding Debtors per Town at the status as at the period ending 30 June 2023.

Fruitless and Wasteful Expenditure

For the quarter under review fruitless and wasteful expenditure is **R101 957 979.61**, details are attached as Appendix "H". This relates to interest and penalty charged by Eskom and Rand Water for late payment.

Capital Expenditure

Disclosure of capital expenditure amounting to **R 186 927 976** as **Appendix "I"**