

**UMKHANDLU WASEKHAYA
IMPENDLE
LOCAL MUNICIPALITY**



2023/24 In-Year Report of the Municipality

Prepared in terms of the Local Government: Municipal Management Act
(56/2003): Municipal Budget and Reporting Regulations

25 JANUARY 2024

**Mid-Year Budget and Performance
Assessment for the Period 01 July 2023 to 31
December 2024**

IMPENDLE LOCAL MUNICIPALITY (KZ224) MID-YEAR REPORT 2023/24

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GLOSSARY

Adjustments Budget – Prescribed in Section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year

Allocations – Money received from Provincial or National Government or other municipalities

Capital Expenditure – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Position

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services

MBRR – Local Government: Municipal Finance Management Act (56 of 2003): Municipal Budget and Report Regulations

MFMA – Municipal Management Finance Act (56 Of 2003). The principle piece of legislation relating to municipal financial management. Sometimes referred to as the Act

MTREF – Medium Term Revenue and Expenditure Framework. A medium-term financial plan, usually three (3) years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current year's financial position

MSCOA – Municipal Standard Chart of Account

Operating Expenditure – Spending on the day-to-day expenses of the Municipality such as salaries and wages, etc.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed ratable value is multiplied by the rate in the rand

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates

Vote – One of the main segments into which a budget is compiled. In Impendle Municipality this means at directorate level

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Section 1 – Introduction

1.1 Purpose

To present to Council a Mid-Year budget and performance assessment in terms of Section 72 and Section 54 (1) (f) of the MFMA (56 of 2003), and to recommend whether an adjustments budget is necessary

1.2 Legal Requirement

In terms of Section 72 of the MFMA (56 of 2003)

1. The accounting officer of the Municipality must by the 25th January each year (a) assess the performance of the municipality during the first half of the financial year taking into account:
 - (i) the monthly statements referred to in Section 71 for the first half of the financial year;
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) the past year's annual report, and progress made on resolving problems identified in the annual report.
- (b) submit a report on such assessment to:
 - (i) the mayor of the municipality; (ii) the National Treasury; and (iii) the relevant Provincial Treasury.
2. The statement referred to in Section 71 (1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.
3. The accounting officer must, as part of the review-
 - (a) Make recommendations as to whether an adjustments budget is necessary; and (b) Recommend revised projections for the revenue and expenditure to the extent that this may be necessary.

Thereafter, the mayor must, in terms of Section 54 (1):

- (a) Consider the report;
- (b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- (c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of Council following approval of an adjustments budget;
- (d) Issue any appropriate instructions to the accounting officer to ensure-
 - (i) That the budget is implemented in accordance with the service delivery and budget implementation plan;
 - (ii) That spending of funds and revenue collection proceed in accordance with the budget;
- (e) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and
- (f) Submit the report to the Council by 31 January of each year.

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1.3 Contents of this report

With the concurrence of the Chief Financial Officer, it was agreed that:

- (a) The Finance directorate would prepare a report complying with the financial requirement of the MFMA Section 71. The mid-year budget statement for December 2023 was submitted to legislated parties by the 10th working day of January 2024. However, it would not be tabled before Council as the main contents of that report would be included in this assessment report.
- (b) The performance management Section in the Office of the Infrastructure and Planning Manager would compile a report on the performance assessment of service delivery against the SDBIP.
- (c) The outcomes from these reports form the basis of this mid-year budget and performance assessment.

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SECTION 2 – REPORT OF THE MAYOR

1.3 MAYOR'S REPORT

In terms of the Budget Regulations, Part 1 In-year reporting, the Mayor is required to provide a report /comments on: -

"(a) a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;

(b) a summary of any financial problems or risks facing the municipality or any such entity; and

(c) any other information considered relevant by the Mayor"

Impendle Municipality maintained an unqualified audit opinion for 2022/23 as reported by the Auditor General. This result is consistent with that of the 2021/22 audit result which is quite pleasing. In the previous financial year, the municipality spent all the conditional grants especially those that relate to infrastructure including roads and halls.

The municipality continued as a going concern and providing basic services as per approved annual budget until the year end 30 June 2023. As a result of the above added provision of service, the municipality closed its financial year with a positive bank balance of R33 143. This is a much improved performance indicative of stricter expenditure management controls implemented by management.

The municipality has successfully implemented Municipal Standard Chart of Accounts (MSCOA). While there are still challenges that are being experienced, the municipal staff is managing the implementation and monitoring very well.

The cash flow projections of the municipality indicate that the municipality is under immense cash flow pressure. This is due to non-payment of accounts by debtors and included in the amount owed to the municipality is state debt which accounts for more than 42% of total debt. Impendle Local Municipality has been facing significant challenges in revenue collection and there are significant amounts of money owed to the municipality by its clients. The amount has accumulated over a period of time due to lack of effective controls in revenue collection.

It is encouraging though to know that the Municipality is working with CoGTA who assists with the collection of debt from government departments. The municipality needs to mention that the above initiative has yielded in settlement of some verified properties by Provincial/National government but more still needs to be done.

I am also satisfied that as a Municipality we have taken the implementation of the Budget Regulations very seriously.

Quarterly Report - December 2023

The monthly budget statement summary (Table C1) for the month of December 2023 shows a surplus of R12,839 million and for the first 6 months (Year to date projected surplus of R11,814

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million). This implies that the municipality has been able to generate revenue (not actual collection) to cover its expenses with a surplus.

The monthly budget statement financial performance (Table C4) for operating revenue and expenditure on 31 December 2023 reflects a surplus of R11,814 million as compared to the budgeted surplus of R5,037 million. Budget has been closely monitored, due to limited funding resources. Even though we have not performed well in some activities, for instance the management of other costs where we have overrun the budget. Some departments are not working within the parameters due to budget allocation being lower than actual needs on the ground as well as the understanding of MSCOA. The municipality will have to adjust its 2023/24 budget to ensure that it is MSCOA compliant and address any other findings by both National and Provincial Treasuries in this regard.

The municipality is passionate about service delivery and, every effort is put to ensure that the 2023/24 capital projects are implemented. An amount of R13,369 million was set aside in the 2023/24 budget to implement capital projects (Table C5). These projects include roads, halls and creches. Spending on capital expenditure is maintained at 52% at mid-year, the municipality is working tirelessly to complete these projects by not later than 30 June 2024.

On capital expenditure, we have spent R1,656 million for the month of December (Year to date actual R7,006 million). Major portion of our Capital funding is dependent on Municipal Infrastructure Grant (MIG).

The municipality started the current year with a negative bank balance of R3,838 million. Table C7 includes all cash and cash equivalents (cashbook balances, petty cash balances and short-term investment deposits).

The municipality is facing a challenge of non-payments by debtors, when analyzing it is indicated that 82% of debtors is above 180 days outstanding. The challenges are addressed by the municipality through the development of the debt collection strategy which will entail grouping of each debt category and actively contact debtors and to intensify debt collection from government departments.

2.2 High level SDBIP overall performance

The Impendle Municipality approved its Service delivery and Budget Implementation Plan in June 2023. The requirements for the SDBIP formatting were changed and a revision initiated to align to the new format to ensure that non-financial performance could be compared with financial performance.

2.3 Potential impact of the National and Provincial adjustments budget

National Treasury adjustments might impact on whilst there might be no impact on the side of Provincial Treasury's adjustments budget on the municipality's adjustment budget for 2023/2024.

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SECTION 3 – FINANCIAL PERFORMANCE

3.1 Monthly Budget Statements

The tables included in section 3 are from the Section 71 December in year-monthly budget statement. Subsequent to the December statement, they have been updated to include revised full year forecasts for the 2023/2024 financial year.

EXECUTIVE SUMMARY

The operating budget as reflected in Table C1 of the Budget Statement Tables can be summarized as follows:-

BUDGET SUMMARY AS AT 31 DECEMBER 2023

DESCRIPTION	2023/24 APPROVED ORIGINAL BUDGET	YTD BUDGET 2023/24	YTD ACTUALS AS AT 31/12/2023	VARIANCE AS AT 31/12/2023
TOTAL REVENUE	R 74 521 000	R 39 237 000	R 54 453 000	R 15 216 000
TOTAL EXPENDITURE (inclusive of Non-Cash Items)	R 68 400 000	R 34 200 000	R 42 640 000	R 8 440 000
SURPLUS/(DEFICIT)	R 10 073 000	R 5 037 000	R 11 814 000	R 6 777 000

The half year budget reflects a favourable variance of R5,037 which relates to actual revenue being higher than general and other operational expenditure.

The municipality has realized actual surplus of R 11,814 million during this period, which is more than the budgeted surplus of R5,037 million.

KZN224 Impendle - Table C1 Monthly Budget Statement Summary - M06 December

Description	2022/23	Budget Year 2023/24							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	8,838	8,365	–	573	3,774	4,183	(409)	-10%	8,365
Service charges	95	102	–	8	49	51	(2)	-3%	102
Investment revenue	299	–	–	–	–	–	–		–
Transfers and subsidies - Operational	299	500	–	12	181	250	(69)	-27%	500
Other own revenue	55,821	55,480	–	19,168	44,270	27,740	16,530	60%	–
Total Revenue (excluding capital transfers and contributions)	65,351	64,448	–	19,762	48,275	32,224	16,051	50%	64,448
Employee costs	43,013	39,989	–	3,873	24,806	19,994	4,812		39,989

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Remuneration of Councillors	4,340	4,423	–	374	2,281	2,211	70		4,423
Depreciation and amortisation	10,356	13,884	–	–	–	6,942	(6,942)		13,884
Interest	223	–	–	48	116	–	116		–
Inventory consumed and bulk purchases	289	–	–	–	85	–	85		–
Transfers and subsidies	896	1,500	–	164	767	750	17	2%	1,500
Other expenditure	17,718	8,604	–	2,464	14,584	4,302	10,282	239%	8,604
Total Expenditure	76,836	68,400	–	6,923	42,640	34,200	8,440	25%	68,400
Surplus/(Deficit)	(11,484)	(3,952)	–	12,839	5,635	(1,976)	7,611	-385%	(3,952)
Transfers and subsidies - capital (monetary allocations)	14,546	13,125	–	–	5,278	6,563	(1,284)	-20%	13,125
Transfers and subsidies - capital (in-kind)	–	900	–	–	900	450	450	100%	900
	3,061	10,073	–	12,839	11,814	5,037	6,777	135%	10,073
Surplus/(Deficit) after capital transfers & contributions									
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	3,061	10,073	–	12,839	11,814	5,037	6,777	135%	10,073
Capital expenditure & funds sources									
Capital expenditure	10,208	13,369	–	1,656	7,006	6,684	321	5%	13,369
Capital transfers recognised	10,113	12,469	–	1,603	6,342	6,234	108	2%	12,469
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	95	900	–	53	664	450	214	47%	900
Total sources of capital funds	10,208	13,369	–	1,656	7,006	6,684	321	5%	13,369
Financial position									
Total current assets	16,907	17,559	–		8,286				17,559
Total non current assets	145,673	141,150	–		152,678				141,150
Total current liabilities	21,178	11,621	–		26,923				11,621
Total non current liabilities	4,218	2,251	–		4,218				2,251
Community wealth/Equity	137,182	144,837	–		148,996				144,837
Cash flows									
Net cash from (used) operating	#NAME?	12,323	–	#NAME?	#NAME?	12,084	#NAME?	#NAME?	12,323
Net cash from (used) investing	41,376	(15,374)	–	(1,656)	7,006	(7,687)	(14,693)	191%	(15,374)
Net cash from (used) financing	–	–	–	–	–	–	–		–
Cash/cash equivalents at the month/year end	#NAME?	787	–	–	#NAME?	8,235	#NAME?	#NAME?	–

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Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	(195)	674	472	453	391	1,281	3,308	12,168	18,553
Creditors Age Analysis									
Total Creditors	10	–	–	–	–	(375)	375	–	10

3.2 OPERATING REVENUE

The operational budgeted revenue for the half year ending 31 December 2023 is R 32,224 million against actual revenue billed and or collected to date of R48, 275 million.

KZN224 Impendle - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue										
Service charges - Electricity		–	–	–	–	–	–	–		–
Service charges - Water		–	–	–	–	–	–	–		–
Service charges - Waste Water Management		–	–	–	–	–	–	–		–
Service charges - Waste management		95	102	–	8	49	51	(2)	-3%	102
Sale of Goods and Rendering of Services		118	56	–	2	11	28	(17)	-61%	56
Agency services		398	220	–	7	83	110	(27)	-25%	220
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		2	–	–	1,543	1,606	–	1,606	#DIV/0!	–
Interest from Current and Non Current Assets		299	500	–	12	181	250			500
Dividends		–	–	–	–	–	–	–		–
Rent on Land		–	–	–	–	–	–	–		–
Rental from Fixed Assets		562	798	–	68	409	399	10	3%	798
Licence and permits		36	75	–	5	25	38	(12)	-32%	75
Operational Revenue		281	60	–	–	22	30	(8)	-26%	60
Non-Exchange Revenue		–	–	–	–	–	–	–		–
Property rates		8,838	8,365	–	573	3,774	4,183	(409)	-10%	8,365
Surcharges and Taxes		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	–	–	–	–	–	–		–
Licence and permits		–	–	–	–	–	–	–		–
Transfers and subsidies - Operational		52,053	53,971	–	17,518	42,015	26,986	15,030		53,971
Interest		240	300	–	26	99	150	(51)		300
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		550	–	–	–	–	–	–		–
Other Gains		1,880	–	–	–	–	–	–		–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)		65,351	64,448	–	19,762	48,275	32,224	16,051	50%	64,448

Property Rates

To date we have billed R3,774 million for Property Rates against a budgeted amount of R4,183 million. The reason for the unfavourable variance is due to inconsistent billing. The financial system was changed to eBilling module which requires consistent monitoring. Governments departments are billed in advance ie in July. This line item will not be adjusted.

Service Charges

The Service Charges billed are not in sync with the budgeted year to date. A slight downward adjustment is required.

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Rental of facilities and equipment

The Rental of facilities reflect a favourable variance of R10 000 as compared to the budget year to date amount of R399 000. Rental agreements were finalised and impacted positively to the Municipality. Therefore, in light of the six month's actuals against budgeted income, the budget needs to be adjusted upwards to consider mid-year assessment and performance.

Interest Earned External Investments

The interest on external investments reflect an favourable variance of R1,537 million. This line item requires investigation as anticipated annual budget is R500 000 as approved.

Interest on outstanding debt

The interest on outstanding debt reflect an unfavourable variance of R51 000 against annual anticipated. Further review is required as customer debt has risen albeit some verified properties have been settled. In its current form, this line item needs to be adjusted downwards when comparing the Actual YTD and Budget YTD.

Licenses and permits

The Licenses and Permits reflect an unfavourable variance of R12 000. Taxi rank permits are being renewed and issued. A closer inspection of the business licenses needs to be undertaken by the LED office. Although revenue collected against the budget is less at mid-year, revenue is expected from the taxi industry in the third and fourth quarter, budget adjustment downwards on this line item is required.

Agency services

The agency services reflect a unfavourable variance of R27 000, this relates to commission income from Motor Licencing as an agreement exists between the Municipality and the Department of Transport. Currently, this line item must be adjusted downwards.

Transfers and Subsidies

Transfers and subsidies reflect a favourable variance of R15,030 million. This is due to actual grants received being more than budgeted at mid-year. Transfers and subsidies will be adjusted upwards to include approved rollover conditional grants and any expected MIG additional funds. There is also an expectation of a disaster management grant inflowing to the municipality for capital projects.

Other Revenue

Other revenue reflects an unfavourable variance of R8 000. This is largely due to a decrease in sales of tender documents (panel rotation and not charged) and other receipts. Therefore, downward adjustment will be considered since this revenue is at -26% below norm at mid-year. Other income comprises of tender documents, cemetery fees, hall hire, etc.

In terms of the MFMA Section 28(2) (a), an adjustments budget must now be prepared that adjusts the revenue estimates for the current year.

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3.3 OPERATIONAL EXPENDITURE

Expenditure incurred at 31 December 2023 amounts to R42,64 million against budget of R 34,200 million resulted in an unfavourable variance of R1,976 million due to over spending on employee costs, contracted services, general expenses, etc. Stricter cash management and cost containment measures to be seriously addressed.

KZN224 Impendle - Table C4 Monthly Budget Statement - Financial Performance (expenditure) - M06 December										
Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
Expenditure By Type										
Employee related costs		43,013	39,989	–	3,873	24,806	19,994	4,812	24%	39,989
Remuneration of councillors		4,340	4,423	–	374	2,281	2,211	70	3%	4,423
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		289	–	–	–	85	–	85		–
Debt impairment		–	–	–	–	–	–	–		–
Depreciation and amortisation		10,356	13,884	–	–	–	6,942	(6,942)	-100%	13,884
Interest		223	–	–	48	116	–	116	#DIV/0!	–
Contracted services		7,430	4,558	–	908	9,162	2,279	6,883	302%	4,558
Transfers and subsidies		896	1,500	–	164	767	750	17	2%	1,500
Irrecoverable debts written off		399	–	–	–	–	–	–		–
Operational costs		9,339	4,047	–	1,555	5,422	2,023	3,399	168%	4,047
Losses on Disposal of Assets		–	–	–	–	–	–	–		–
Other Losses		550	–	–	–	–	–	–		–
Total Expenditure		76,836	68,400	–	6,923	42,640	34,200	8,440	25%	68,400

Employee Costs

The total approved budget for employee related costs for 2023/24 budget year amounts to R 39,9 million. The budgeted expenditure for the half-year ending 31 December 2023 is R 19,9 million and the actual expenditure is R 24,8 million. The adverse variance of R4,8 million is due to employee notch movement, new contract appointments, interns stipends that were not accounted for at budget stage. Other employee related costs being budgeted for under conditional grants but being reported under employee costs.

The initial budget considered the increase as per bargaining council agreement of 5,4% but not the staff notch movements.

Councillor upper limits for the year 2023 were approved during the course of year to date ending 31 December 2023. Senior Manager's packages increased in December 2022 upon approval of the upper limits. This will thus cause the salaries and wage budget to be adjusted upwards.

Debt Impairment

Debt Impairment is done at year end. Municipality will in future strive to compile and report monthly on this line item. At this point, this line item does not need any adjustment as the tariff structure will not be amended.

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Depreciation and Asset Impairment

Depreciation of assets is not being run monthly due to possible asset module challenges on the system. Service provider needs to be engaged so the monthly running of the line item is commenced. The audited financial statements for 2023 serve as a base for adjusting the line item, but currently no need to adjust. The issue that will arise at year end is the consideration of impairments on the municipal assets.

Inventory Consumed

Line item unfavourable due to possible misallocations. Investigation of the above must be undertaken promptly for correct decision to adjust upwards or downwards.

Contracted services

Contracted services reflect an unfavourable variance of R6,9 million which is higher than anticipated. These are commitments that the Municipality has with third parties. What also needs to be considered is the operating and or finance lease factor to these agreements. INEP grant for 2023 financial year has been spent in first quarter of 2024 causing the line item to be overspent at mid-year. Line item was not budgeted for at original budget stage. Effective monitoring needs to be conducted to minimize this expense line item further. Upward adjustment required to be made.

Transfers and Grants

Transfers and Grants reflect an unfavourable variance of R17 000 which relates to free basic electricity. The municipality adopted to reduce the indigent portion from 100kW to 50kW. This is in line with the National standard set. No adjustment is relevant on this line item due to monthly customer electricity purchase fluctuations informing expenditure.

Other Expenditures

Other expenditure reflects an unfavourable variance of R3,4 million. The line item includes operational conditional grants expenditure and other general expenditure. General expenditure items e.g. Repairs and Maintenance, advertising etc. will be assessed individually for adjustment. Within the above line items, adjustments either upwards or downwards are relevant.

In terms of the MFMA Section 28(2) (a), an adjustments budget must now be prepared that adjusts the expenditure estimates either upwards or downwards for the current year.

3.4 CAPITAL BUDGET PERFORMANCE

The year-to-date budget is R6,7 million (annually R13,4 million). Municipal Infrastructure Grant capital expense items are reporting under both capital and operational expenses in the ratio 95:5. This needs to be corrected with the assistance from the system vendor.

The mid-year actual capital expenditure amounts to R7 million with a favourable variance of R321 000. This is due to increased project capacity being realised towards service delivery targets. Internal capital resource requirements are to be included in the adjustments budget.

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KZN224 Impendle - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - A - M06 December

Vote Description		Ref	2022/23	Budget year 2023/24							
R thousand			Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
										%	
Capital Expenditure - Functional Classification											
Governance and administration			40	–	–	–	148	–	148	#DIV/0!	–
Executive and council			–	–	–	–	–	–	–		–
Finance and administration			40	–	–	–	148	–	148	#DIV/0!	–
Internal audit			–	–	–	–	–	–	–		–
Community and public safety			1,599	900	–	334	1,190	450	740	164%	900
Community and social services			125	900	–	140	583	450	133	30%	900
Sport and recreation			1,474	–	–	194	606	–	606	#DIV/0!	–
Public safety			–	–	–	–	–	–	–		–
Housing			–	–	–	–	–	–	–		–
Health			–	–	–	–	–	–	–		–
Economic and environmental services			8,569	12,469	–	1,322	5,669	6,234	(566)	-9%	12,469
Planning and development			5,019	–	–	63	521	–	521	#DIV/0!	–
Road transport			3,550	12,469	–	1,260	5,148	6,234	(1,087)	-17%	12,469
Environmental protection			–	–	–	–	–	–	–		–
Trading services			–	–	–	–	–	–	–		–
Energy sources			–	–	–	–	–	–	–		–
Water management			–	–	–	–	–	–	–		–
Waste water management			–	–	–	–	–	–	–		–
Waste management			–	–	–	–	–	–	–		–
Other			–	–	–	–	–	–	–		–
Total Capital Expenditure - Functional C		3	10,208	13,369	–	1,656	7,006	6,684	321	5%	13,369
Funded by:											
National Government			10,083	12,469	–	1,410	6,149	6,234	(86)	-1%	12,469
Provincial Government			30	–	–	194	194	–	194	#DIV/0!	–
District Municipality			–	–	–	–	–	–	–		–
Transfers and subsidies - capital (in-kind)			–	–	–	–	–	–	–		–
Transfers recognised - capital			10,113	12,469	–	1,603	6,342	6,234	108	2%	12,469
Borrowing	6		–	–	–	–	–	–	–		–
Internally generated funds			95	900	–	53	664	450	214	47%	900
Total Capital Funding			10,208	13,369	–	1,656	7,006	6,684	321	5%	13,369

Transfers Recognised - Capital

These relate to all capital expenditure inclusive of Municipal Infrastructure Grant, externally funded from National Treasury. It must be noted that grant related capital expenditure is only transferred to revenue once expenditure has occurred.

3.5 CASH FLOWS

The municipality has always maintained a positive cash balance in its books. This has been achieved through constant cash flow monitoring by the Budget and Treasury Office. Included on cash at hand are monies relating to cash-backing of conditional grants.

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KZN224 Impendle - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	2022/23	Budget year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		(164)	-	-	53	128	-	128	#DIV/0!	-
Service charges		(22)	-	-	0	18	-	18	#DIV/0!	-
Other revenue		1,395	106	-	81	550	53	497	937%	106
Transfers and Subsidies - Operational		#NAME?	67,349	-	#NAME?	#NAME?	33,675	#NAME?	#NAME?	67,349
Transfers and Subsidies - Capital		(30,130)	-	-	-	10,000	-	10,000	#DIV/0!	-
Interest		540	500	-	1,581	1,886	250	1,636	655%	500
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		-	(54,132)	-	1,656	(7,006)	(22,643)	(15,638)	69%	(54,132)
Finance charges		-	-	-	-	-	-	-		-
Transfers and Subsidies		-	(1,500)	-	-	-	750	750	100%	(1,500)
NET CASH FROM/(USED) OPERATING ACTIVITIES		#NAME?	12,323	-	#NAME?	#NAME?	12,084	#NAME?	#NAME?	12,323
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (increase) in non-current receivables										
Decrease (increase) in non-current investments										
Payments										
Capital assets		41,376	(15,374)	-	(1,656)	7,006	(7,687)	(14,693)	191%	(15,374)
NET CASH FROM/(USED) INVESTING ACTIVITIES		41,376	(15,374)	-	(1,656)	7,006	(7,687)	(14,693)	191%	(15,374)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing										
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		#NAME?	(3,051)	-	#NAME?	#NAME?	4,397			(3,051)
Cash/cash equivalents at beginning:		6,386	3,838	-	-	-	3,838			-
Cash/cash equivalents at month/year end:		#NAME?	787	-		#NAME?	8,235			(3,051)

The municipal cash flow will be adjusted either upwards or downwards after careful consideration of each line item and any negative amounts will be corrected with the assistance of the system vendor.

3.6 DEBTORS INFORMATION

Debtors Age Analysis as at 31 December 2023

The amount of debtors is R3,8 million as reflected on C6. The amount is not aligned to SC3, R18,5 million, and needs to be investigated in consultation with the system vendor. Albeit payment is made by some customers, our debtors tend to increase on a monthly basis. This is caused by a number of factors for example unstable economy and poor households. Municipality investigating such and should be in a position to write-off indigent households and other bad debts. Performance of data cleansing on financial system is ongoing. State debt comprises more than 36% of this debt and property verifications are not all complete. Provincial CoGTA is also assisting municipalities to have debt paid by state. We once again commend the payments received from State Departments to reduce their long outstanding debt thus reducing the municipal debt book slightly.

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Payment Levels

Debtors tend to take longer to settle their municipal debts as the collection rate is above 675 days. If the Government departments can settle their invoices timeously then the situation can be improved and collection rate will be well anticipated at not more than 120 days for property rates. Farms in Ward 1 especially are vast but not suitable to farm on as they tend to have huge rocks situated on them. The Municipality also has a high volume of deceased customers and for which transfers of property has not taken place at this juncture. Further, data cleansing must be considered where applicable.

Monthly Budget Statement performance indicators

As depicted on Schedule C (Supporting table SC2) indicates the ratios achieved for the six months ending 31 December 2023.

SECTION 4

4.1 SERVICE DELIVERY PERFORMANCE

Introduction

The SDBIP is essentially the municipality's business plan and is an integral part of the financial planning, implementation and measurement process. The SDBIP functions as the connection between the strategic plan "IDP", budget and management performance agreements, and includes detailed information on how the budget will be implemented, by means of forecast cash flows, service delivery targets and performance indicators.

SECTION 5

5.1 PROGRESS ON RESOLVING PROBLEMS IDENTIFIED IN THE 2022/23 ANNUAL REPORT

Introduction

The 2022/23 annual financial statements have yielded an unqualified audit opinion from the office of the Auditor General. Since the 2022/23 Annual Report has not been dealt with by Council, and consequently is still to be published, it would be premature to consider it for purposes of the assessment (Section 72(1)(a)(iii) of the MFMA refers).

Shortcomings and recommendations to address shortcomings

The municipality will therefore table an action plan in response to findings in the audit report, which is presented by the Auditor General, whilst considering reviews on the Annual Report.

6. PROGRESS ON MSCOA IMPLEMENTATION

The National Treasury embarked on a budget reform program in 1999 aiming at improving accountability and modernising the accounts of government; primarily by bringing budget and expenditure reporting in line with international best practice. The ultimate aim of this reform remains unchanged – it is to provide better quality information to legislatures to assist in the policy making process and to reinforce Parliament's oversight role. Treasury then introduced the municipal Standard Chart of Accounts (mSCOA) in 2014 to all municipalities and municipal entities. mSCOA in essence comprises the coding of items used for classification, budgeting,

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recording and reporting of revenues and expenditures within the accounting system, in order to facilitate the recording of all transactions affecting assets and liabilities.

The municipality has successfully implemented the mSCOA regulation and is transacting on mSCOA compliant system. Although there are challenges at this change, the Municipality believes everything will be running as normal in the next financial year because everyone will have grasped the system.

Section 7 – Recommendations

It is recommended that:

- (1) The mid-year budget report together with the supporting documents as of 31 December 2023 be adopted.
- (2) An adjustments budget for 2023/24 be prepared and approved by no later than 28 February 2024.
- (3) The report be submitted to both the National and Provincial Treasury as stipulated in Section 72(1)(b) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
- (4) Projections for revenue and expenditure be revised;
- (5) The revised SDBIP which formed the basis of the mid-year assessment be approved following approval of the adjustments budget;
- (6) Performance Agreements of Section 57 employees be amended as required;

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Section 8 – Municipal Manager’s quality certification

QUALITY CERTIFICATE	
I, Z.C. Tshabalala, the municipal manager of Impendle Municipality, hereby certify that –	
<input type="checkbox"/> The monthly budget statement	
<input type="checkbox"/> Quarterly report on the implementation of the budget and financial state of affairs of the municipality	
<input type="checkbox"/> Mid-year budget and performance assessment	
For the month of December 2023 of 2023/2024 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.	
Print Name	_____
Municipal Manager of Impendle Municipality (KZN224)	
Signature	_____
Date	_____

ANNEXURES

Item Number	Item
1	SDBIP Mid-Year Review
2	Q2 full SDBIP departmental report
3	Auditor’s report of the Auditor General on the financial statements