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| --- | --- |
| **Department** | **Budget and Treasury Office** |
| **Document Name** | **Financial Management Report** |
| **Period** | **31 December 2021** |

# 

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# Abbreviations and Acronyms

BPC Budget Planning Committee

CFO Chief Financial Officer

MM Municipal Manager

CPI Consumer Price Index

CRRF Capital Replacement Reserve Fund

DoRA Division of Revenue Act

EE Employment Equity

FBS Free basic services

GAMAP Generally Accepted Municipal Accounting Practice

GRAP General Recognised Accounting Practice

HR Human Resources

IDP Integrated Development Strategy

IT Information Technology

km kilometre

DFS Government Financial Statistics

KPA Key Performance Area

KPI Key Performance Indicator

LED Local Economic Development

MEC Member of the Executive Committee

MFMA Municipal Financial Management Act

Programme

MIG Municipal Infrastructure Grant

MPRA Municipal Properties Rates Act

MSA Municipal Systems Act

MTEF Medium-term Expenditure Framework

MTREF Medium-term Revenue and Expenditure Framework

NGO Non-Governmental organisations

NKPIs National Key Performance Indicators

OHS Occupational Health and Safety

OP Operational Plan

PMS Performance Management System

PPE Property Plant and Equipment

PPP Public Private Partnership

YTD Year To Date

SALGA South African Local Government Association

SDBIP Service Delivery Budget Implementation Plan

SMME Small Micro and Medium Enterprises

DOE Department of Energy

IGF Internally Generated Funds IYM In Year Monitoring

CY Current Year

PY Prior Year

# Summary of the report

**BTO FINANCIAL REPORT – QUARTER 2 (DECEMBER) 2021-22**

**PURPOSE**

To report to the management of Makhuduthamaga Local Municipality about the state of financial affairs and cash position of the municipality for the period ended 31 December 2021 in terms of the applicable sections of the Municipal Finance Management Act No.56 of 2003.

**BACKGROUND**

The Municipal Finance Management Act No. 56 of 2003 set out certain responsibilities to the Accounting Officer of the municipality to regularly as requested in the sections indicated below to report on the state of financial affairs and cash position of the municipality to all relevant stakeholders of the municipality to ensure accountability transparency and effectiveness in the management of the municipal finances. The following sections of the MFMA informed the preparation of this report and therefore reports must be interpreted and analysed with reference to the relevant sections of the MFMA circulars and the regulations issued under the MFMA.

1. Section 52 of the MFMA
2. Section 63 of the MFMA
3. Section 64 of the MFMA
4. Section 65 of the MFMA
5. Section 66 of the MFMA
6. Section 71 of the MFMA
7. Section 74 of the MFMA
8. Section 75 of the MFMA

The report covers in detail the Budget implementation analysis, Revenue and debtors, Expenditure management, Assets management and Supply Chain Management the draft notes to the annual financial statements & C-Schedule supporting tables as at the 31 December 2021.

**LEGAL IMPLICATIONS**

1. Compliance with applicable sections of the Municipal Finance Management Act No.56 of 2003 (MFMA) and its regulations/circulars.
2. Compliance with all Budget related policies approved by council.

**FINANCIAL IMPLICATIONS**

The Municipality’s total original budgeted revenue for the 2021/22 financial year amounts to **R 486 449 268** which consists of **R 101 015 267** from own sources of revenue and **R 385 434 000** from government grants

The total budgeted revenue to date is **R 246 057 973** which makes about **51%** of the total budgeted annual revenue and the actual revenue for the month of December amounts to **R 113 206 807.**

The Municipality’s total budgeted expenditure for the 2021/22 financial year to the amountsof **R 486 449 268** which is made of operational expenditure to the amount of **R 361 275 817** and capital expenditure to the amount of **R 125 173 451**.

The operational expenditure amounts to **R 33 622 396** for the month of **December** and to-date actual operational expenditure amounts to **R 178 171 186** for the 2021/22 financial year. The capital expenditure amounts to **R 5 536 079** for the month of **December** and to-date- actual capital expenditure amounts to **R 35 765 177.**

The municipality’s bank balance as at 31 December 2021 was **R 102 525 180.**

**COMMUNICATION**

* The report served in the BTO departmental meeting.
* The report served in management meeting.

**RECOMMENDATION**

That the Management notes the financial report as at 31 December of the 2021/22 financial year.

# Executive Summary

## Overall total revenue and expenditure

* 1. The municipality’s total actual operational revenue as at 31 December 2021 amounts to **R 296 616 383** and total actual operational expenditure of **R 178 171 186** translating in to an operational surplus of **R 118 455 197.** Capital expenditure as at the end of December 2021 amounted to **R 35 765 177.** The following table summarises the overall revenue and expenditure performance as at the end of December 2021:

**N.B. Amounts are in “R000”**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **2020/21 Pre-Audi outcome** | **2021/22 YTD Budget** | **2021/22**  **YTD Actual** | **2021/22 YTD Variance** |
| Total Operational revenue | 364 927 | 203 244 | 296 616 | (93 372) |
| Total operational expenditure | (433 027) | (180 138) | (178 171) | (1 967) |
| **Operating Surplus/Deficit** | **(68 100)** | **23 106** | **118 445** | **( 95 339)** |
| Operating Capital transfers and grants | 62 122 | 42 814 | 35 765 | 7 049 |
| **Net Surplus/Deficit after capital transfers** | **(5 978)** | **65 920** | **154 210** | **(88 290)** |

## Budgeted Revenue and Actual Revenue to date

The municipality’s total actual revenue as at 31 December 2021 is **R 332 381 560** which amounts to **135%** of the total budgeted annual revenue to the amount of **R 246 057 973.**

From the total actual revenue recorded as at the end of December 2021, **R 230 149 263** is from government grants and transfers and the remaining balance of **R 51 170 596** comes from the own revenue sources.

The municipality’s overall collection rate is **11%** as at December 2021 when comparing the actual cash received from the different sources of our revenue to the billed revenue to date. The municipality’s collection rate was **23.4%** in the prior year ended 30 June 2021. Collection on property rates and interests on outstanding debts are the highest contributors to the poor collection rate and the National Treasury was requested to intervene on the Government properties debts as they contribute the highest percentage to the municipality’s debt book.

The following table shows a summary of the total revenue per source:



## Budgeted Expenditure and Actual Expenditure to date

1. The municipality’s total actual expenditure amounts of **R 213 936 363** as at 31 December 2021. This amounts to **92%** of the total annual budgeted expenditure to the amount **of R 232 368 179** as at 31 December 2021.

### Operational Expenditure.

1. The total operational expenditure as at 31 December 2021 amounts to **R 178 171 186** which equates to **99%** of the total annual operational budget of **R 180 137 975** as at 31 December 2021.
2. The following table indicates the operational expenditure per standard classification:



### Capital Expenditure

1. The total capital expenditure as at 31 December 2021 amounts to **R 35 765 177** which equates to **68%** of the **R 52 230 744** to-date budget**.**
2. The following table indicates the capital expenditure per functional classification:



### Grants expenditure.

* 1. The following table shows the expenditure on grants as at 31 December per grant:



* 1. The municipality’s spending per conditional grant are as follows as at the end of December 2021:

|  |  |  |
| --- | --- | --- |
| Conditional Grant details | Received % | Spending % |
| FMG | 100% | 46% |
| EPWP | 30% | 100% |
| MIG | 33% | 30% |
| INEP | 75% | 9% |

### Overall Spending per departments

1. The following table indicates the spending performance per department from the highest performance to the least performance:



# Going concern and Liquidity ratios.

* **Going concern**

1. After the assessment of the key factors to the going concern of the municipality it is assumed and concluded that the municipality shall continue operating as a Going Concern as at 31 December 2021.

* **Liquidity ratios**
  1. **Current ration**

Current Assets/Current Liabilities (Norm is 2:1)

|  |  |
| --- | --- |
| **2022** | **2021** |
| R 149 327: R 24 664  6.05: 1 | R 32 746: R 85 316  0.85:1 |

This ratio measures the Municipality’s ability to pay its short-term debt with liquid assets which are assets easily converted in to cash. The above ratio indicates a current ratio of **6.05:1** that may suggest that the municipality’s liquid assets are currently easy to be converted into cash to can covers the current liabilities as & when they become due by the 30 June 2022.

* 1. **Debt ratio**

**Total Liabilities/Total Assets) x 100**

|  |  |
| --- | --- |
| **2022** | **2021** |
| R 37 072 / R 461 134 X 100%  =8.04% | R 96 486 / R 395 543 X 100%  =24.4% |

This ratio measure how much the municipality’s total liabilities are covered by the total assets the results of which measures the solvency of the municipality. The results above shows that the municipality is solvent as the total liabilities are covered by the total assets and total liabilities makes a small percentage portion of the total assets which decreased from 24.4% to 8.04% in the current year and the means our debt ratio is sound.

* 1. **Net Operating surplus margin.**

**NORM: Equal to or greater than zero**

(Total Operating revenue – Total Operating expenditure)/Total Operating revenue x 100

|  |  |
| --- | --- |
| **2022** | **2021** |
| (R 275 431 – R 174 203)/ 275 431 x 100  **= 37%** | (R 427 048 – R 432 905)/ 427 048 x 100  **= (1.37)%** |

1. The Ratio assesses the extent to which the Municipality generates Operating Surpluses. The above ratio indicates that the municipality reported a net surplus of **37%** for the period ended 31 December 2021 which shows a significant improvement from the prior of -1.37% net surplus.
   1. **Collection rate.**

**NORM: 95%**

**Formula**

**=** Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100)

|  |  |
| --- | --- |
| **2022** | **2021** |
| (R 292 693 + R 281 319)– (R 543 067– R0 )/ R 281 319 x 100%  **= 11%** | (R474 502 + R 89 198 ) – (R 546 515 – R0)/R 89 198 x 100%  **= 19.26%** |

The Ratio indicates the collection rate; i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. In addition in order to determine the real collection rate bad debts written-off is taken into consideration.

The municipality’s collection rate is low as compared to the norm of 95% as per MFMA circular No. 71. However it must be noted that the municipality fund more than 80% of its expenditure through Government Grants and there have not been any indication that the municipality will not be receiving the grants in the foreseeable future.

The revenue billed from customers is used to fund mostly the non-cash expenditure items such as depreciation and impairments when preparing the MTREF budget for the municipality to guard against the cash flow risk in cases of poor collection.

# Statement of Financial Position as at 31 December 2021



# Statement of Financial Performance for the period ended 31 December 2021



# Cash Flow Statement as at 31 December 2021



|  |  |  |
| --- | --- | --- |
| Notes to the 2nd Quarter Financial Report (Statements).Cash and cash equivalents **Cash and cash equivalents consists of:** |  |  |
| Cash on hand | 256 | 775 |
| Bank balances | 102 525 180 | 14 359 535 |
| Call account investment | - | - |
|  | **102 525 436** | **14 360 310** |

**Short-term Investments**

The municipality had no short-term investments with any financial institution during the 2021/22 financial year and the municipality did not have any investment for the period ended 31 December 2021.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | |  |  | |
|  | | | | |  |  | |
| **The municipality had the following bank accounts during the year under review** | | |  |  | | |  | |
| **Account number / description** | **Bank statement balances** | |  | **Cash book balances** | | | | |
|  | **31-Dec -21** | **30-Jun-21** |  | **31-Dec-21** | | | **30-Jun-21** | |
| ABSA BANK - 4050384145 - (Primary Cheque Account) | 101 385 537 | 13 298 999 |  | **101 430 853** | | | 13 278 846 | |
| ABSA BANK - 4069702429 - (Call Account) | - | - |  | - | | | - | |
| ABSA BANK - 4076690079 - (Salaries) | 46 174 | 12 241 |  | **26 502** | | | 12 241 | |
| ABSA BANK - 4098981597 - (Solidarity Fund) | 205 173 | 205 798 |  | **205 175** | | | 205 798 | |
| ABSA BANK - 2078073033 Term Deposit Investment | 862 650 | 862 650 |  | **862 650** | | | 862 650 | |
|  | **102 499 534** | **14 379 688** |  | **102 525 180** | | | **14 359 535** | |

## 7.2 Inventories

|  |  |  |
| --- | --- | --- |
| Inventories consists of: |  |  |
| Consumable stores | 2 210 287 | 954 892.67 |
|  | **2 210 287** | **954 892.67** | |

|  |  |  |
| --- | --- | --- |
| **Reconciliation of Inventory** |  |  |
| Opening Balance | 954 893 | 1 066 030.99 |
| Add: Receipts | 2 816 120 | 90 038.00 |
| Less: Issues | (1 560 726) | (201 176.32) |
| CLOSING BALANCE | **2 210 287** | **954 892.67** |

## 7.3 Receivables from non-exchange transactions

|  |  |  |
| --- | --- | --- |
| Gross balances |  |  |
| Rates | 573 341 291 | 544 903 537 |
| Traffic fines | **1 215 597** | 1 168 997 |
|  |  |  |
|  | **574 529 938** | **546 072 534** |

|  |  |  |
| --- | --- | --- |
| **Less: Allowance for impairment** |  |  |
| Property Rates | (271 487 448) | (542 164 268) |
| Traffic Fines | (1 168 997) | (1 168 997) |
|  |  |  |
|  | **(272 656 445)** | **(543 333 265)** |

|  |  |  |
| --- | --- | --- |
| **Net balances** |  |  |
| Property Rates | 301 853 844 | 2 739 269 |
| Traffic Fines | 46 600 | - |
|  |  |  |
|  | **301 900 444** | **2 739 269** |

|  |  |  |
| --- | --- | --- |
| **Summary of receivables from non-exchange transactions by customer classification** |  |  |
| **Property rates (Industrial/Business)** |  |  |
| Current (0 -30 days) | 1 421 628 | 812 235 |
| 31 - 60 days | 1 063 236 | 818 143 |
| 61 - 90 days | 1 090 681 | 805 958 |
| 91 – Above | 53 480 615 | 51 595 363 |
|  |  |  |
|  | **57 056 162** | **54 031 699** |
| Less: Allowance for impairment | (**38 042 137**) | (**53 760 078**) |
|  | **19 014 024** | **271 621** |

|  |  |  |
| --- | --- | --- |
| **Property Rates (Provincial and National Departments)** |  |  |
| Current (0 -30 days) | 6 218 074 | 5 589 981 |
| 31 - 60 days | 5 961 596 | 5 759 533 |
| 61 - 90 days | 6 061 596 | 5 621 692 |
| 91 – Above | 498 043 862 | 473 900 631 |
|  |  |  |
|  | **516 285 129** | **490 871 837** |
| Less: Allowance for impairment | **(233 445 310)** | **(488 404 190)** |
|  | **282 839 819** | **2 467 647** |

|  |  |  |
| --- | --- | --- |
| **Traffic fines** |  |  |
| Current (0 -30 days) | 10 450 | 0 |
| 31 - 60 days | 27 350 | 0 |
| 61 - 90 days | 5 000 | 63 250 |
| 91 - 120 days | 3 800 | 9 350 |
| 121 - Above | 1 168 997 | 1 096 397 |
|  | **1 215 597** | **1 168 997** |
| Less: Allowance for impairment | **(1 168 997)** | **(1 102 975)** |
|  | **46 606** | **66 022** |

|  |  |  |
| --- | --- | --- |
| **Reconciliation of allowance for impairment** |  |  |
| Balance at beginning of the year | (543 333 265) | (471 525 228) |
| Contributions to allowance - current year | (96 747 306 ) | (71 808 037) |
| Debt impairment written off against allowance | - | - |
|  | **(640 080 572)** | **(543 333 265)** |

**Receivables from non - exchange transactions impaired.**

As of 31 December 2021, receivables from non-exchange transactions of **R 640 080 572** (**2021: R 543 333 265**) were impaired and provided for.

## Receivables from exchange transactions

|  |  |  |
| --- | --- | --- |
| Accrued Income (Interest on investment) | 46 409 | 146 894 |
| Other debtors  Waste collection | 376 792 | 290 398 |
| SALGA Levy | 1 062 900 | 1 062 900 |
|  | **1 486 101** | **1 500 192** |

## 7.5 Other debtors (VAT receivable & receivables from exchange transaction)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| VAT | 13 048 635 | 16 075 778 |  |  |  |
|  | 13 048 635 | 16 075 778 |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Reconciliation** |  |  |
| Balance at the beginning of the year | 16 075 778 | 16 062 400 |
| Add: Net Refunds as per VAT receivable | 14 030 916 | 34 317048 |
| Add: Current year VAT suspense - Retention amount | 4 156 829 | 4 413 337 |
| Less: Prior year suspense - Retention amount | (4 413 338 ) | (5 163 934) |
| Less: VAT Payments by SARS - Current year | ( 8 295 981 ) | (25811 478) |
| Less: VAT payments by SARS - Previous year | (8 505 569) | (7 741 595) |
| Adjustments | - | - |
|  | **13 048 635** | **16 075 778** |

VAT is payable on invoice basis and claimed from SARS when a tax invoice is received.

## Intangible assets

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2022** | | | **2021** | | |
|  | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Computer software | 8 215 070 | (7 979 171) | 235 899 | 8 215 070 | (7 632 274) | 582 796 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  | **8 215 070** | **(7 979 171)** | **235 899** | **8 215 070** | **(7 632 274)** | **582 796** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of intangible assets - 2022** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Computer software | 582 796 | 0.00 | 0.00 | (346 897) | 235 899 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  | 582 796 | **0.00** | **0.00** | **(346 897)** | **235 899** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of intangible assets - 2021** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Computer software | 1 706 590 | 0.00 | 0.00 | (7 632 274) | 582 796 |
| Work In Progress | 0.00 | 0.00 | 0.00 |  |  |
|  | **1 706 590** | **0.00** | **0.00** | **(7 632 274)** | **582 796** |

**Other information**

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

No intangible assets were pledged as security for liabilities

## Investment Property

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2022** | | | **2021** | | |
|  | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Investment property | 209 500 | 0.00 | 209 500 | 209 500 | 0.00 | 209 500 |
|  | **209 500** | **0.00** | **209 500** | **209 500** | **0.00** | **209 500** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of investment property- 2022** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Investment property | 209 500 | 0.00 | 209 500 | 209 500 | 0.00 |
|  | **209 500** | **0.00** | **209 500** | **209 500** | **0.00** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of investment property - 2021** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Investment property | 209 500 | 0.00 | 209 500 | 209 500 | 0.00 |
|  | **209 500** | **0.00** | **209 500** | **209 500** | **0.00** |

**Details of valuation**

Investment property was valued by Land data Valuations (Pty) Ltd an independent professional valour with registration number 1988/001677/07.The Municipal Valour has experience of properties within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market value for existing use:

**Details of property**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from the investment property as the property is vacant land held for long term capital appreciation

No investment property was pledged as security for liabilities

## Property Plant and Equipment

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2022** | | | **2021** | | |
|  | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost/Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Land | 265 000 | 0.00 | 265 000 | 265 000 | 0.00 | 265 000 |
| Land – Landfill Site | 14 757 795 | (6 453 765) | 10 017 930 | 16 471 695 | (5 199 916) | 11 271 780 |
| Buildings | 52 286 492 | (16 105 204) | 36 181 289 | 52 286 492 | (15 026 444) | 37 260 049 |
| Furniture and fixtures | 6 619 692 | (4 469 399) | 2 150 297 | 6 619 692 | (4 188 012) | 2 431 681 |
| Motor vehicles | 35 664 681 | (26 960 978) | 8 703 703 | 35 664 681 | (25 138 133) | 10 526 548 |
| Office equipment | 2 776 915 | (2 297 759) | 479 156 | 2 776 915 | (2 179 061) | 597 854 |
| IT equipment | 25 895 638 | (19 102 782) | 6 792 856 | 23 741 796 | (17 356 438) | 6 385 358 |
| Infrastructure | 351 837 287 | (136 183 109) | 215 654 178 | 350 013 747 | (124 913 199) | 225 100 548 |
| Loose tools | 3 611 961 | (3 181 283) | 430 678 | 3 611 961 | (3 025 396) | 586 565 |
| Community Halls | 14 402 779 | (3 050 672) | 11 352 107 | 14 402 779 | (2 728 038) | 11 674 741 |
| Capital work in progress | 19 333 746 | 0.00 | 19 333 746 | 13 188 060 | 0.00 | 13 188 060 |
|  | **529 165 891** | **(217 804 951)** | **311 360 939** | **520 866 363** | **(201 457 252)** | **319 409 111** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Reconciliation of property, plant and equipment – 2022** | | | | |  |  |  |  |  |  |
|  | Opening balance | Additions | Disposals - Cost | Donations received | Transfers | Provision for Rehabilitation of Landfill Site | Impairment loss | Disposals Accumulated depreciation | Depreciation | Total |
| Land | 265 000 | 0.00 | 0.00 | 0.0 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 265 000 |
| Land - Landfill site | 11 390 570 | 0.00 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1 372 641) | 10 017 929 |
| Buildings | 37 260 048 | 0.00 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1 078 760) | 36 181 288 |
| Furniture and fixtures | 2 433 971 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (283 678) | 2 150 293 |
| Motor vehicles | 10 526 548 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1 822 845) | 8 703 703 |
| Office equipment | 597 853 | 0.00 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 | (118 698) | 479 155 |
| IT equipment | 6 385 359 | 2 153 842 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1 746 344) | 6 792 857 |
| Infrastructure | 225 100 389 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ( 9 446 212) | 215 654 177 |
| Loose tools | 586 565 | 0.00 | 0.0 |  |  |  |  |  | (155 887) | 430 678 |
| Community Halls | 11 674 741 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (322 634) | 11 352 107 |
| Capital work in progress | 13 188 060 | 6 145 685 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | 19 333 745 |
|  | **319 409 105** | **8 299 527** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **(16 347 699)** | **311 360 933** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reconciliation of property, plant and equipment – 2021 | | | | |  |  |  |  |  |  |
|  | Opening balance | Additions | Disposals - Cost | Donations received | Transfers | Provision for Rehabilitation of Landfill Site | Impairment loss | Disposals Accumulated depreciation | Depreciation | Total |
| Land | 265 000 | 0.00 | 0.00 | 0.0 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 265 000.00 |
| Land - Provision for rehabilitation of Landfill site (Depreciated) | 11 679 207 | 0.00 | 0.00 | 2 456 646 | 0.0 | 0.00 | 0.00 | 0.00 | (2 745 283) | 11 390 570 |
| Buildings | 36 405 426 | 0.00 | 0.00 | 0.0 | 2 900 000 | 0.00 | 0.00 | 0.00 | (2 045 378) | 37 260 048 |
| Furniture and fixtures | 1 184 426 | 1 760 430 | 0.00 | 0.0 | 0.0 | 0.00 | 0.00 | 0.00 | (510 885) | 2 433 971 |
| Motor vehicles | 14 611 726 | 0.00 | 0.00 | 0.0 | 0.0 | 0.00 | 0.00 | 0.00 | (4 085 178) | 10 526 548 |
| Office equipment | 642 919 | 210 450 | 0.00 | 0.0 | 0.0 | 0.00 | 0.00 | 0.00 | (255 516) | 597 853 |
| IT equipment | 6 982 853 | 2 650 202 | (90 850 | 0.0 | 0.0 | 0.00 | 0.00 | 60 047 | (3 216 893) | 6 385 359 |
| Infrastructure | 215 499 688 | 0.00 | 0.00 | 0.0 | 270 451 777 | 0.0 | 0.0 | 0.0 | (17 444 476) | 225 100 389 |
| Loose tools | 857 207 | 46 000 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (316 642) | 586 565 |
| Community Halls | 12 320 009 | 0.00 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.00 | (645 268) | 11 674 741 |
| Capital work in progress | 21 407 828 | 22 004 543 | 0.00 | 0.0 | (30 224 31) | 0.0 | 0.0 | 0.00 | 0.00 | 13 188 061 |
| **Total** | **321 856 289** | **26 671 625** | **(90 850)** | **2 456 646** | **0** | **0.00** | **0.00** | **60 047** | **(31 265 519)** | **319 409 105** |

## A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## 7.9 Payables from exchange transactions

|  |  |  |
| --- | --- | --- |
| Trade payables | 75 977 | 5 206 407 |
| Income received in advance | 562 840 | 923 859 |
| Creditor: Ward committee | 13 201 | 13 201 |
| Leave provision | 12 407 985 | 12 407 987 |
| Bonus provision | 2 779 508 | 2 779 508 |
| Unknown deposits | 33 462 | 32 481 |
| Retentions | 21 198 937 | 20 215 864 |
|  | **37 071 910** | **41 579 307** |

## 7.10 Unspent Conditional grants and receipts

|  |  |  |
| --- | --- | --- |
| Unspent conditional grants and receipts comprises of: |  |  |
| LG SETA Discretionary Grant | 108 314 | 113 350 |
| Financial Management Grant | 902 841 | - |
| DOE(Department of Mineral and Energy ) | 14 002 226 | - |
| EPWP Grant | 133 649 | - |
| Municipal Infrastructure Grant | 20 518 610 | 288 |
|  | **35 665 640** | **113 638** |

|  |  |  |
| --- | --- | --- |
| **Movement during the year** |  |  |
| Balance at the beginning of the year | 113 638 | 23 572 |
| Amounts received during the year | 158 054 | 241 875 |
| Income recognition during the year | (17 184) | (152 097) |
| Roll Over current year | 17 512 | 113 638 |
|  | **272 020** | **226 988** |

## 7.11 Defined benefit obligation

|  |  |  |
| --- | --- | --- |
| Post-employment Medical Aid Benefits | 5 008 000 | 3 230 000 |
|  | **5 008 000** | **3 230 000** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Changes in the present value of the defined benefit obligation are as follows:** | | | | |  | | |
| Opening balance | | 3 230 000 | | | 2 486 000 | | |
| Current service cost | | 482 000 | | | 490 000 | | |
| Interest cost | | 167 000 | | | 254 000 | | |
|  |  | |  | | |
|  |  | |
|  | **3 879 000** | | | **3 230 000** | | |
|  |
|  |

|  |  |  |
| --- | --- | --- |
| **Net expense recognised in the statement of financial performance** |  |  |
| Current service cost | 482 000 | 490 000 |
| Interest cost | 167 000 | 254 000 |
| Actuarial (gains) losses | 1 129 000 | - |
|  | **1 778 000** | **744 000** |

|  |  |  |
| --- | --- | --- |
| **Key assumptions used** |  |  |
| **Assumptions used at the reporting date:** |  |  |
| Expected retirement age | 63 | 63 |

The nominal and real zero curves were used as at 31 December 2021 supplied by the JSE to determine the discounted rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date we used the prevailing yield at the time of performing our calculations. The methodology has changed from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years:

\*\*The net effective discount rate is different for each relevant time period of the yield curves’ various durations and therefore the net effective discount rate is based on the relationship between the yield curve based discount rate for each relevant time period and the yield curve based salary inflation for each relevant time period.

The Medical aid inflation rate was set with reference to the past relationship between the yield curve based and discount rate for each relevant time period and the yield curve based medical aid contribution inflation for each relevant time period.

|  |  |  |
| --- | --- | --- |
| **Long service awards** |  |  |
| **Long Service Awards Liability** |  |  |
| Long service awards - current liability | 0 | 63 010 |
| Long service awards - Non-current liability | 3 693 000 | 3 629 990 |
|  | **3 693 000** | **3 693 000** |

|  |  |  |
| --- | --- | --- |
| **Movements in the long service awards liability** |  |  |
| Opening balance | 2 984 000 | 2 844 000 |
| Current service cost | 347 000 | 366 000 |
| Interest cost | 298 000 | 296 000 |
| Benefits paid | (273 015) | (189 477) |
| Actuarial Gain/Loss | 337 015 | (332 523) |
|  | **3 693 000** | **2 984 000** |

|  |  |  |
| --- | --- | --- |
| **Expense and income recognition in surplus for the year.** |  |  |
| Current service cost | 347 000 | 366 000 |
| Interest cost | 298 000 | 296 000 |
| Actuarial Gain/Loss | 337 015 | (332 523) |
|  | **982 015** | **329 477** |

**Key assumptions used - Long service awards**

Long service benefits are awarded in a form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefits:

|  |  |  |
| --- | --- | --- |
| **Average retirement age** |  |  |
| Expected retirement age | 63 | 63 |

Other assumptions

A one percentage point change in the normal salary inflation assumption would have the following effect:

|  |  |  |
| --- | --- | --- |
| **Other assumptions** |  |  |
| **A one percentage point change in the normal salary inflation assumption would have the following effect:** | **-1% Normal salary inflation** | **+1% Normal salary inflation** |
| Effect on the current service cost | 364 000 | 430 000 |
| Effect on the interest cost | 337 000 | 394 000 |
| Effect on defined benefit obligation | 3 427 000 | 3 988 000 |
|  | **4 128 000** | **4 812 000** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Amounts for the current and previous years are as follows** | **2021** | **2020** | **2019** | **2018** |
| Long service awards | **3 693 000** | **2 984 000** | **2 844 000** | 1. **73 000** |

## 7.12 Revenue

|  |  |  |
| --- | --- | --- |
| Rental of facilities and equipment | 40 242 | 114 166 |
| Licences and permits | 2 438 449 | 5 480 633 |
| Gains on disposal of PPE | - | - |
| Tender Documents | 62 331 | 158 262 |
| Interests earned on Bank & Investment accounts | 921 227 | 1 652 967 |
| Refuse removal  Other income | 75 126  2 983 818 | 134 867  134 895 |
|  | **6 521 193** | **7 675 790** |

|  |  |  |
| --- | --- | --- |
| **The amount included in revenue arising from non-exchange transactions is as follows:** |  |  |
| Property rates | 22 204 057 | 45 068 875 |
| Interest on outstanding debtors | 22 502 927 | 40 171 417 |
| Traffic fines | 46 600 | - |
| Transfers and subsidies | 281 210 964 | 415 904 097 |
| Actuarial Gains | - | - |
|  |  | - |
|  | **324 360 886** | **501 144 389** |
|  |  |  |
|  | **190 388 105** | **509 011 432** |

## 7.13 Government grants and subsidies

|  |  |  |
| --- | --- | --- |
| Equitable share | 222 249 000 | 341 931 000 |
| Municipal Infrastructure Grant (MIG) | 40 919 000 | 70 953 000 |
| Finance Management Grant (FMG) | 1 650 000 | 1 700 000 |
| Integrated National Electrification ( DOE Grant) | 15 000 000 | - |
| Municipal Disaster Grant Management | - | - |
| EPWP Grant | 1 278 000 | 1 168 000 |
| LG SETA - Discretionary Grant | 114 964 | 152 097 |
|  | **281 210 964** | **415 904 097** |
| **Conditional and Unconditional** |  |  |
| **Finance Management Grant** |  |  |
| Opening balance | - | - |
| Current-year receipts | 1 650 000 | 1 700 000 |
| Conditions met - transferred to revenue | (747 159) | (1 700 000) |
|  | **902 841** | - |

All conditions as per the DoRA were met and the grant was transferred to Revenue.

The Financial Management Grant was spend under Budget and Treasury vote for Financial management interns programme, Financial management systems maintenance and training of Budget and Treasury officials.

|  |  |  |
| --- | --- | --- |
| **Municipal Infrastructure Grant** |  |  |
| Opening balance | 288 | - |
| Current-year receipts | 40 919 000 | 70 953 000 |
| Conditions met - transferred to revenue | (20 400 678) | (70 953 000) |
|  | **20 518 610** | **-** |

|  |  |  |
| --- | --- | --- |
| **Expanded Public Works Programme** |  |  |
| Opening balance | - | - |
| Current-year receipts | 1 278 000 | 1 168 000 |
| Conditions met - transferred to revenue | (1 144 351) | (1 168 000) |
|  | **133 649** | **-** |

|  |  |  |
| --- | --- | --- |
| **Municipal Disaster Management Grant** |  |  |
| Opening balance | - | - |
| Current-year receipts | - | - |
| Conditions met - transferred to revenue | - | (-) |
|  | **-** | **-** |

|  |  |  |
| --- | --- | --- |
| **Environmental Awareness Award** |  |  |
| Opening balance | - | - |
| Current-year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
|  | **-** | **-** |
|  |
| **Integrated National Electrification (DOE GRANT)** |  |  |
| Opening balance | - | - |
| Current-year receipts | 15 000 000 | - |
| Conditions met - transferred to revenue | (997 774) | (-) |
|  | **14 002 226** | **-** |

|  |  |  |
| --- | --- | --- |
| **LG SETA Discretionary Grant** |  |  |
| Opening balance | 113 350 | 23 572 |
| Current-year receipts | 114 964 | 241 875 |
| Conditions met - transferred to revenue | (120 000) | (152 097) |
|  | **108 314** | **113 350** |

All conditions as per DoRA were met and the grant was transferred to Revenue.

The Municipal Infrastructure Grant was used to fund construction of access roads approved by Cogta and municipal council under the Infrastructure Development vote.

## Interest on investments

|  |  |
| --- | --- |
| **921 227** | **1 652 967** |

Bank & Investments 921 227 1 652 967

N.B. The municipality did not have any investments during the current year due to low levels of cash balances and the amount of interests received is for the positive bank balance of the main cheque account.

.

## Interest on outstanding debtors

|  |  |  |
| --- | --- | --- |
| Interest charged on trade and other receivables | 22 502 927 | 40 171 417 |
|  | **22 502 927** | **40 171 417** |

NB. All interests relates to property rates outstanding debts.

## 7.16. Property rates

|  |  |  |
| --- | --- | --- |
| **Rates – revenue** |  |  |
| Commercial | 3 090 059 | 4 506 888 |
| State | 18 083 978 | 38 308 543 |
| Agricultural | 1 030 020 | 2 253 444 |
|  | **22 204 057** | **45 068 875** |
| **Valuations** |  |  |
|  |  |  |
| Residential | 22 640 000 | 22 640 000 |
| Commercial | 743 391 000 | 743 391 000 |
| State | 2 014 632 000 | 2 014 632 000 |
| Municipal | 29 739 861 | 29 739 861 |
| Social | 29 023 000 | 29 023 000 |
|  | **2 839 425 861** | **2 839 425 861** |

* In terms of section 5 of the credit control and debt collection policy the Municipality has billed **R 22 204 057** as at 31 December 2021 and collected is **R 2 506 248**. The total amount collected as at 31 December 2021 is 12**%** of the billed revenue to date.
* Valuations on land and buildings are performed every 5years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.
* The valuation used in the current year was implemented from 01 July 2021 and it ends on the 30th of June 2026, The municipality is currently have challenges to uploading new valuation roll on the financial system, and the matter has referred to our financial administrator ( Sage Evolution) for assistance.

## Actuarial gain/ (Loss)

|  |  |  |
| --- | --- | --- |
| Long service awards - Actuarial Gain/(Loss) | - | 332 523 |
| Post-employment medical aid - Actuarial gain/(Loss) | - | 769 000 |
|  | **-** | 1. **101 523** |

## Traffic fines

|  |  |  |
| --- | --- | --- |
| Traffic fines | 4 750 | 2 550 |
|  | **4 750** | **2 550** |

## Employee related costs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Basic | 23 021 388 |  | 46 602 580 |  |
| Bonus | 2 239 386 |  | 3 706 927 |  |
| Medical aid - company contributions | 2 570 335 |  | 5 098 739 |  |
| UIF | 175 744 |  | 300 274 |  |
| SDL | 360 522 |  | 563 943 |  |
| Leave pay provision charge | 1 046 399 |  | 2 594 884 |  |
| Pension contribution | 4 406 795 |  | 9 291 131 |  |
| Overtime payments | 381 754 |  | 672 827 |  |
| Post-employment benefits costs | 864 314 |  | 829 000 |  |
| Car allowance | 5 739 760 |  | 11 228 574 |  |
| Housing benefits and allowances | 1 425 067 |  | 2 834 159 |  |
| Bargaining Council | 10 238 |  | 20 692 |  |
| Clothing allowance | 21 051 |  | 53 363 |  |
| Cell phone allowance | 1 028 461 |  | 1 939 009 |  |
|  | **43 291 214** |  | **85 736 030** |  |

|  |  |  |
| --- | --- | --- |
| **Municipal Manager (Ms Rampedi MN)** |  |  |
| Basic salary | 320 276 | 640 552 |
| Travel allowance | 130 844 | 261 687 |
| Cell phone allowance | 0.00 | 0.00 |
| Housing allowance | 0.00 | 0.00 |
| Travel claim | 3 811 | 8 568 |
| Contributions to medical aid | 42 724 | 85 447 |
| Contributions to UIF | 1 063 | 1 813 |
| SDL | 5 282 | 12 482 |
| SALGBE | 62 | 119 |
| Remote allowance | 20 770 | 41 540 |
| Retirement annuity contributions | 39 002 | 78 003 |
|  | **563 834** | **1 130 211** |
| **Chief Financial Officer (Mr Moganedi R.M)** |  |  |
| Basic salary | 230 001 | 536 668 |
| Travel allowance | 105 362 | 178 498 |
| Cell phone allowance | 16 721 | 31 302 |
| Housing allowance | 5 712 | 68 538 |
| Travel claims | 0.00 | 0.00 |
| Contributions to medical aid | 24 399 | 77 544 |
| Contributions to UIF | 886 | 1 813 |
| SDL | 5 359 | 9 454 |
| Leave payout | 171 357 |  |
| SALGBE | 52 | 119 |
| Remote allowance | 11 756 | 35 778 |
|  | **571 605** | **939 714** |
| **Acting Chief Financial officer for BTO 2021/22 (Mr Makgalemane T.M.)** |  |  |
| Acting allowance | 36 571 |  |
|  | **36 571** |  |
| **Senior manager: Corporate services (Ms Mahlare M.A)** |  |  |
| Basic salary | 268 334 | 536 668 |
| Travel allowance | 115 643 | 231 286 |
| Medical aid contributions | 62 298 | 124 596 |
| UIF | 1 063 | 1 813 |
| SALGBE | 62 | 119 |
| SDL | 3 914 | 9 368 |
| Travel claims | 4 568 | 6 350 |
| Remote | 17 889 | 35 778 |
|  | **473 771** | **945 979** |

|  |  |  |
| --- | --- | --- |
| **Senior manager: Community services (Ms Marishane M.E)** |  |  |
| Basic salary | 268 334 | 536 668 |
| Travel allowance | 98 478 | 196 956 |
| Cell phone allowance | 13 172 | 26 343 |
| Housing allowance | 35 780 | 71 560 |
| Travel claims | 0.00 | 0.00 |
| Pension contributions | 30 511 | 61 022 |
| UIF | 1 063 | 1 813 |
| SALGBE | 62 | 119 |
| SDL | 3 934 | 9 383 |
| Remote allowance | 17 889 | 35 778 |
|  | **469 223** | **939 644** |

|  |  |  |
| --- | --- | --- |
| **Senior Manager: Infrastructure Development (Mr Segale M.A)** |  |  |
| Basic salary | 268 334 | 536 668 |
| Travel allowance | 97 247 | 194 493 |
| Cell phone allowance | 13 725 | 27 450 |
| Medical contribution | 66 970 | 133 939 |
| UIF | 1 063 | 1 813 |
| SALGBE | 62 | 119 |
| SDL | 4 447 | 10 585 |
| Remote allowance | 17 889 | 35 778 |
| Acting allowance: Mr Segale M.A |  | - |
|  | **469 737** | **940 845** |

|  |  |  |
| --- | --- | --- |
| **Senior manager Economic Development and Planning (Mr Thabela A.P)** | |  |
| Basic salary | 268 334 | 536 668 |
| Travel allowance | 67 084 | 134 167 |
| Cell phone allowance | 9 559 | 19 119 |
| Pension contribution | 59 034 | 118 067 |
| Medical aid contribution | 42 265 | 84 529 |
| UIF | 1 063 | 1 813 |
| SALGBE | 62 | 119 |
| SDL | 4 507 | 10 832 |
| Travel claim | 0.00 | 3 376 |
| Remote allowance | 17 889 | 35 778 |
|  | **469 797** | **944 469** |

## Remuneration and allowances of councillors

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Mayor | 453 158 | 910 772 |  |  |
| Council speaker | 367 011 | 737 602 |  |  |
| Executive Committee Members | 2 242 599 | 4 525 300 |  |  |
| Other councillors basic salary | 4 658 981 | 9 620 209 |  |  |
| Councillors pension contribution | 795 181 | 1 697 683 |  |  |
| Travel allowance | 1 856 532 | 3 772 632 |  |  |
| Travel claims | 9 885 | 14 015 |  |  |
| Cell phone allowance | 1 051 250 | 2 080 800 |  |  |
| Skills development levy | 50 438 | 54 019 |  |  |
| Data cards (61 councillors) | 92 197 | 183 600 |  |  |
|  | **11 577 232** | **23 596 632** |  |  |

|  |  |  |
| --- | --- | --- |
| **Remuneration and allowances of selected members of the council** |  |  |
| **Remuneration and allowances for the mayor Cllr Maitula B.M** |  |  |
| Basic salary | 274 399 | 548 798 |
| Travel allowance | 0.00 | 0.00 |
| Cell phone allowance | 20 400 | 40 800 |
| Contributions to pension fund | 153 879 | 312 061 |
| SDL and Data card | 4 480 | 7 421 |
|  | **453 158** | **909 080** |

|  |  |  |
| --- | --- | --- |
| **Remuneration and allowances for the council speaker Cllr Tala M.A** |  |  |
| Basic salary | 156 103 | 439 039 |
| Travel allowance | 0.00 | - |
| Cell phone allowance | 14 507 | 40 800 |
| Contributions to pension | 87 043 | 249 649 |
| SDL and Data card | 2 629 | 6 731 |
|  | **260 282** | **736 219** |

**Remuneration and allowance for the council speaker Cllr Mphelane M.J**

Basic salary 63 417

Travel allowance - -

Cell phone allowance 5 893

Contributions to pension 36 060

SDL and Data card 1 359

**106 729 -**

|  |  |  |
| --- | --- | --- |
| **Remuneration and allowances of members of the executive committee** | |  |
| Basic salary | 1 298 187 | 2 612 536 |
| Travel allowance | 509 093 | 1 024 524 |
| Cell phone allowance | 187 227 | 367 200 |
| Pension fund Medical & SDL | 231 573 | 461 036 |
| Travel claims and Data card | 16 520 | 50 576 |
|  | **2 242 600** | **4 515 872** |

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

## Depreciation and amortisation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Property, plant and equipment | 16 347 699 | 31 265 519 | 5.441.038.91 | 27.310.110.47 |
| Intangible assets | 346 897 | 1 123 794 | 115.632.30 | 1.384.127.67 |
|  | **16 694 596** | **32 389 313** | 5.556.671.21 | 28.694.238.14 |

Impairment of assets

|  |  |  |
| --- | --- | --- |
| Property, plant and equipment | 0.00 | 0.00 |
| Intangible Assets | 0.00 | 0.00 |
| Investment Property | 0.00 | 0.00 |
|  | **0.00** | **0.00** |

The municipality has completed an asset verification process for the period ended 30 September 2021 and no impairment loss identified and reported.

## Finance Costs

|  |  |  |
| --- | --- | --- |
| Interest on overdue accounts (Telkom and Eskom) | - | - |
| Interest cost: Employee benefit obligations | - | 465 000 |
| Interest cost: Landfill site provision | - | 1 051 943 |
|  |  | **1 516 943** |

## 7.25. Debt Impairment

|  |  |  |
| --- | --- | --- |
| Current year doubt Debts allowance | 640 080 572 | 543 333 265 |
| less: Previous doubtful debts | (543 333 265) | (471 525 228) |
|  | **96 747 306** | 1. **808 037** |

## 7.26. Contracted Services

|  |  |  |
| --- | --- | --- |
| Repairs and Maintenance: Other Assets | 13 865 358 | 17 849 289 |
| Repairs and Maintenance: Infrastructure Assets | 30 259 674 | 51 026 872 |
| Operating Lease and Cash collection | 3 115 259 | 3 356 259 |
| Solid waste collection | 11 301 913 | 28 900 126 |
| Development of valuation roll | - | 558 012 |
| Cleaning and Security services | 10 642 730 | 49 845 119 |
| Publications VAT recovery services Spatial Planning & GIS | 6 963 331 | 499 087 |
|  | **76 148 265** | **123 134 638** |

## Grants and subsidies paid

|  |  |  |
| --- | --- | --- |
| Indigents grants (Free Basic Electricity) | 470 753 | 2 895 169 |
|  | **470 753** | **2 895 169** |

## Capital expenditure written-off (D Roads)

|  |  |  |
| --- | --- | --- |
| Property Plant and Equipment | 27 069 582 | 63 333 076 |
|  | **27 069 582** | **63 333 076** |

In terms of the General Notice 217 of 2014 ownership and jurisdiction of roads by municipality in Limpopo Province is listed in schedule B of the notice. The municipality has constructed roads under the ownership of Roads Agency Limpopo SOC Limited (RAL) in terms of the Notice during the first seven months ended 31 January 2020 and 30 June 2020. The roads cannot be capitalised and have been written off and a loss on disposal of capital expenditure was incurred to the amount of **R 18 840 554** (2022) and **R 63 333 076** (2021)

## General expenses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.Advertising | 244 076 | | 746 145 | |
| 2.Bank charges | 92 663 | | 257 799 | |
| 3.Consulting and professional fees | 1 080 400 | | 2 550 254 | |
| 4.Consumables | - | | 2 334 128 | |
| 5.Entertainment | - | | 57 950 | |
| 6.Insurance | 1 279 325 | | 685 249 | |
| 7.IT operating expenses | 1 164 309 | | 1 484 700 | |
| 8.Marketing | 245 200 | | 721 066 | |
| 9.Promotions and sponsorships | 801 367 | | 875 878 | |
| 10.Fleet Management & System | 134 536 | | 2 766 | |
| 11.Fuel and oil | 2 311 384 | | 4 362 625 | |
| 12.Printing and stationery | 1 821 880 | | - | |
| 13.Protective clothing | - | | - | |
| 14.Environmental care expense | - | | - | |
| 15.Telephone and fax | 637 955 | | 1 078 976 | |
| 16.Training | 362 256 | | 1 669 303 | |
| 17.Travel and accommodation | 143 647 | | 123 763 | |
| 18.LED forum and summit | - | | - | |
| 19.Spatial planning - demarcation of sites | - | | 1 284 778 | |
| 20.Water and electricity | 1 394 925 | | 2 093 396 | |
| 21.Sitting allowance ex-officio | 68 000 | | 360 000 | |
| 22.Publications | 4 440 335 | | 5 202 000 | |
| 23.Audit committee support | 172 474 | | 499 087 | |
| 24.Bursary fund | 1 249 385 | | 6 249 794 | |
| 25.Legal costs and Development of by-laws | 1 292 056 | | 11 420 | |
| 26.Customer care | 28 899 | | 467 887 | |
| 27.Financial System support | 2 369 370 | | 5 617 478 | |
| 28.Vehicle tracking | 48 308 | | 82 403 | |
| 29.Stipend | - | | 4 998 | |
| 30.Disaster relief fund | | 1 278 572 | | 1 534 747 | |
| 31.EPWP | | 2 270 290 | | 3 451 202 | |
|  | | **24 931 612** | | **47 925 958** | | |

## Provision - Rehabilitation of Landfill Site

|  |  |  |
| --- | --- | --- |
| Provision | 18 730 537 | 18 730 537 |
|  | **18 730 537** | **18 730 537** |

The Madibong Landfill Site was previously included in the asset register of the Sekhukhune District Municipality together with the provision for the rehabilitation of the Landfill Site in its 2017/18 audited annual financial statements. On the 30th of June 2019 the Landfill Site was transferred to the Makhuduthamaga Local Municipality.

The valuation of the rehabilitation on the Landfill Site was performed by Mr Seakle Godschalk a professional registered environmental scientist of the Environmental and Sustainability Solutions (ESS) Company. The Company has developed and used the General Landfill Closure Costing Model (GLCCM) since 2011.

The future and discounted cash flows regarding the Landfill closure and rehabilitation related expenses were calculated using the CPI at 4.4437% and a discount rate of 7.9437%.

The cost of rehabilitating the Landfill Site was determined to be **R 18 730 537** as at the 30th of June 2021 and was recognised at cost and depreciated over time as property, plant & equipment in the statement of the financial position of the municipality.

## Rental of facilities and equipment

|  |  |  |
| --- | --- | --- |
| **Advertising Billboards** |  |  |
| Site rentals | 40 242 | 114 166 |
|  | **40 242** | **114 166** |

The amount for site rentals is for the advertising billboards from **PRIMEDIA** around Makhuduthamaga municipal area

## Operating lease

* The Municipality has entered in to an operating lease with Velaphanda Trading & Projects for Photocopier machines for a period of three years.
* The total future minimum operating lease payments payable under existing operating lease arrangements are categorised in the following categories:

|  |  |  |
| --- | --- | --- |
| Within one year of the operating date | 1 546 473 | 1 628 232 |
| More than one year but less than five years of the reporting date | 3 092 944 | - |
|  | **5 154 906** | **1 628 232** |

## Loss on disposal of assets

|  |  |  |
| --- | --- | --- |
| Loss on disposal of computer equipment (two laptops were lost in the previous financial year) | - | - |
| Loss on disposal of a traffic vehicle that was involved in an accident and was declared a write off. | - | - |
|  | **-** | **-** |

## Commitments

|  |  |  |
| --- | --- | --- |
| **Authorised operating and capital expenditure** |  |  |
| **Operational commitments** |  |  |
| Approved and contracted | 72 969 890 | 120 068 987 |
|  | **72 969 890** | **120 068 987** |
|  |  |  |
| **Capital commitments** |  |  |
| Approved and contracted | 99 423 223 | 92 897 366 |
|  | **99 423 223** | **92 897 366** |
|  |  |  |
|  |  |  |
| **Total commitments** | **172 393 113** | **178 250 573** |

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at 30 September 2021 amount to **99 423 223** for capital commitments and **72 969 890** for Operational commitments. The capital commitments are mainly for projects that are implemented over multi years. The operational commitments include three year contracts of which the amount disclosed is for more than one financial year.

## Related parties

|  |  |  |
| --- | --- | --- |
| **Related party transactions** |  |  |
| **Section 57 Employees** |  |  |
| Municipal Manager ( Ms Rampedi M.N) | 563 833 | 1 130 213 |
| Senior Manager: Corporate Services (Ms. Mahlare M.A | 473 770 | 945 979 |
| Senior Manager: Community Services (Ms. Marishane M.E) | 469 223 | 939 644 |
| Senior Manager: Budget & Treasury(CFO) (Mr. Moganedi R.M ) | 571 603 | 939 714 |
| Senior Manager: Economic Development & Planning (Mr. Thabela A.P) 469 796 | | 944 469 |
| Senior Manager: Infrastructure Development (Mr. Segale M.A) | 469 736 | 940 845 |
|  | **3 017 961** | **5 840 864** |
|  |  |  |
| **South African Local Government Association** |  |  |
| Annual membership fee | 302 750 | 1 062 900 |
|  | **302 750** | **1 217 880** |
|  |  |  |
| **Sekhukhune District Municipality** |  |  |
| Donations received - Landfill Site | - | - |
|  | **-** | **-** |
|  |  |  |
| **62 Councillors** |  |  |
| Remuneration of Councillors | 5 904 498 | 23 596 632 |
|  | **5 904 498** | **23 647 964** |

## Risk management

**Liquidity risk**

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits cash equivalents and receivables. The municipality only deposits cash with credible banking institutions and limits exposure to any one counter-party.

|  |  |  |
| --- | --- | --- |
| Financial assets exposed to credit risk at year end were as follows: |  |  |
| **Financial instrument** |  |  |
| Receivables from non-exchange transactions | 2 739 269 | 2 885 734 |
| Receivables from exchange transactions | 1 132 109 | 1 231 496 |
| Cash & Cash equivalents | 102 382 700 | 14 290 363 |
| VAT Receivable | 15 677 271 | 34 494 539 |
| **Maximum exposure** | **121 931 349** | **52 902 132** |

## Unauthorised expenditure

|  |  |  |
| --- | --- | --- |
| Opening balance | 201 249 480 | 167 846 156 |
| Current year | - | 34 251 138 |
| Less amounts: written-off by council | - | ( 0.00) |
|  | **201 249 480** | **201 349 480** |

## Fruitless and wasteful expenditure.

|  |  |  |
| --- | --- | --- |
| Opening balance | 571 999 | 571 999 |
| Current year | - | - |
| Paid/written off by council | - | - |
|  | **571 999** | **571 999** |

## Irregular expenditure

|  |  |  |  |
| --- | --- | --- | --- |
| Opening balance | 178 866 762 | 124 876 332 | |
| Add: Irregular Expenditure - current year | 19 336 512 | 53 990 430 | |
| Less: Amounts written-off by council | (-) | (0.00) | |
|  | **198 203 274** | **178 866 762** |

## Additional disclosure in terms of Municipal Finance Management Act

|  |  |  |
| --- | --- | --- |
| **Audit fees** |  |  |
| Amount incurred current year |  |  |
| Amount paid - current year | 1 038 120 | 4 429 665 |
|  | **1 038 120** | **4 425 032** |

|  |  |  |
| --- | --- | --- |
| **PAYE and UIF** |  |  |
| Amount incurred current year | 8 501 194 | 16 142 848 |
| Amount paid - current year | (8 501 194) | (16 142 848) |
|  | **-** | **0.00** |

|  |  |  |
| --- | --- | --- |
| **Pension and Medical Aid funds deductions** |  |  |
| Amount incurred current year | 11 750 888 | 23 089 581 |
| Amount paid - current year | (11 750 888) | (23 089 581) | |
|  | **0.00** | **0.00** |

|  |  |  |
| --- | --- | --- |
| **Supply chain management regulations** |  |  |
| **Deviations** |  |  |
| Deviation as per section 36(1)(a)(i) of the SCM regulation emergency | 87 900 | 1 189 594 |
| Deviation as per section 36(1)(a)(ii) of the SCM regulation sole provider | 47 224 | 767 535 |
| Deviation as per section 36(1)(a)(v) of the SCM regulation impractical | 859 147 | 7 091 524 |
|  | **994 271** | **9 048 653** |

**Details of Deviations current year:**

Deviation as per section 36(1)(a)(i) of the SCM regulation emergency

|  |  |  |  |
| --- | --- | --- | --- |
| **NO** | **COMPANY NAME** | **SERVICE PROVIDED** | **AMOUNT** |
| 1. | NONE |  |  |

Deviation as per section 36(1)(a)(ii) of the SCM regulation sole provider

|  |  |  |  |
| --- | --- | --- | --- |
| **NO** | **COMPANY NAME** | **SERVICE PROVIDED** | **AMOUNT** |
|  | NONE |  |  |

Deviation as per section 36(1)(a)(v) of the SCM regulation impractical

|  |  |  |  |
| --- | --- | --- | --- |
| **NO** | **COMPANY NAME** | **DESCRIPTION** | **AMOUNT** |
| **1.** | BP | Fuel for Municipal Vehicle | R 240 202.11 |
| **2.** | Bapedi Filling Station | Fuel for Municipal Vehicle | R 4 937.85 |
| **3.** | Shell | Fuel for Municipal Vehicle | R 66 064.95 |
| **4.** | Wits University | Bursary | R 80 543.42 |
| **5.** | University of Cape Town | Bursary | R 500.00 |
| **6.** | Born free Investments | Bursary | R 26 200.00 |
|  | **TOTAL** |  | **R 418 448.33** |

**Makhuduthamaga local municipality Internship programme**

As at 31 December 2021 the Makhuduthamaga local municipality it is complying to the Financial Management grant conditions of capacitating the Budget and treasury department officials and having a minimum of five interns employed namely Mr S Disengwane placed at Payroll unit, Mr I Morwaswi placed at Supply chain management unit, Ms DC Serakalala placed as Budget unit, Ms LL Mamushi placed at Expenditure management unit and Mr T Matlala placed at internal audit unit.

* Currently the Risk management, Assets and revenue units are without interns.
* Meeting was held between the intern’s senior mentor and the interns on the 06 December 2021 to monitor individual progress on the interns and the following meeting to be held on the 2nd of February 2022.

# Other Supporting tables (SC tables)

# 8.1 Table SC 3 – Aged Debtors M06 December

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**8.2 Table SC 6 – Transfers & Grant Receipts M06 December**



**8.3 Table SC 8 – Councillors & Staff Benefits M06 December**



**8.4 Table SC 9 – Cash Flow M06 December**



**ATTACHED ARE ANNEXURES FOR THE REPORT**

**Annexure A: Contract Register (Long and short term)**

**Annexure B: Contract Performance Assessment**

**Annexure C: Demand Management Report**

**Annexure D: Deviation Report**

**Annexure E: UIF Report and Registrar**